

Best-Performing Cities 2011

Where America's Jobs Are Created and Sustained

Ross C. DeVol,
Armen Bedroussian,
and Kevin Klowden
with Ka Wai Ho

#1 SAN ANTONIO



MILKEN INSTITUTE

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For more information

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About the Milken Institute

A nonprofit, nonpartisan economic think tank, the Milken Institute works to improve lives around the world by advancing innovative economic and policy solutions that create jobs, widen access to capital, and enhance health. We produce rigorous, independent economic research — and maximize its impact by convening global leaders from the worlds of business, finance, government and philanthropy. By fostering collaboration between the public and private sectors, we transform great ideas into action.

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Executive Summary

The annual Best-Performing Cities index provides an objective, comprehensive measure of economic performance across metropolitan areas of the country. As the nation begins to recover from the Great Recession, the underlying structural performance of individual regional economies comes back into focus.

Determining which communities are recovering at the fastest pace and which weathered the recession best provides a framework for understanding the opportunities and related risks. Only a handful of communities have seen employment rebound to prerecession peaks; these regions are poised to capture a bigger share of the impending expansion. We include measures of job, wage, and technology performance over a five-year period to capture the structural elements in our Best-Performing Cities index.

Among this year's key findings:

- **Texas metros** continued to dominate the rankings, taking four of the Top 5 positions and nine of the Top 25. Overall, Texas employers were responsible for one of every five jobs created in the nation from June 2010 to June 2011.
- **San Antonio, Texas**, secured the top spot among the nation's 200 large metros, while last year's leader, **Killeen-Temple-Fort Hood, Texas**, slid to fifth.
- **Houston-Sugar Land-Baytown, Texas**, was the top performer among the country's 10 largest metros and ranked 16th overall.
- **Logan, Utah-Idaho**, topped the small cities list after placing 19th last year.
- **Merced, Calif.**, recorded the biggest jump in ranking, leaping 105 positions to 63rd.

National trends affect the relative performance of metropolitan economies based on their differing industry mix and structure. For this reason, it is important to understand the composition of national economic conditions.

The Great Recession has been followed by a Rogoff/Reinhart constrained recovery, meaning that necessary deleveraging of financial balance sheets on the part of consumers and businesses, partly through transfer to public balance sheets, limits the potential pace of recovery. There is room for cautious optimism on the spending intentions of consumers. Despite lingering damage from the debt-ceiling debates, sovereign-debt concerns in Europe, and slow job creation, U.S. households with employed members have cut their debt-servicing burdens, and interest rates are at record lows.

There are signs that housing prices are beginning to stabilize, but foreclosures remain elevated and substantial shadow inventory could still find its way into the housing market. The fear that housing prices might fall further has kept buyers and lenders on the sidelines. But the job market is displaying signs of improvement, providing the best opportunity for an upturn in housing.

The unheralded story of this recovery has been the resurgence in business investment in equipment, especially IT and software. Exports of these products, especially to Asia, have been brisk. Several of 2011's best-performing cities that are heavy on tech companies are benefiting from this investment. Another common thread among the top metros is an increase in professional and scientific services. Many metros saw a resurgence in natural gas and oil exploration and investment in alternative energy. For example, the United States recorded the largest increase in liquid hydrocarbons production in the world between 2008 and 2010.

The improved rankings of some communities can be traced to strong foreign and domestic demand for heavy manufacturing equipment. Logistics activity related to expanded trade with Mexico and Canada helped a few metro areas, and growth in health-care services and biosciences assisted several others. Many had less exposure to fallout from the housing bubble. And a few, especially in Texas, are growing because of ongoing expansion at military bases due to base realignment and consolidation activities.

Top 25 Best-Performing Cities

Texas cities dominated the rankings again this year with nine metros in the top 25 compared with 11 last year. Texas cities topped the lists of both the 200 large metros (San Antonio) and the 10 largest metros in the country (Houston). In fact, Lone Star State employers created one in five new U.S. jobs during the 12 months ending June 2011. Employers in the Houston and Dallas metro areas alone were responsible for one in 10 U.S. jobs.

As we document in the full report, Texas cities have benefited from a low reliance on durable goods manufacturing, low business costs, a favorable business climate, the consolidation of military bases, renewed trade with Mexico and South America, and ongoing energy exploration activities and alternative fuels research. A few gain traction from higher computer and chip production. Add assertive recruiting of businesses from out of state, and you have the secret sauce behind Texas' success.

Three Utah metros made the Top 25: Salt Lake City (sixth), Provo-Orem (ninth), and Ogden-Clearfield (15th). No other state had more than one city in the Top 25. As a region, Southern states had 12 metros in the Top 25; Western states had six; and Northeast and Midwest states had three each.

2011 Best-Performing City

San Antonio, Texas, leaped 14 positions to earn the top spot in our 2011 ranking of the 200 large U.S. metros. Although it had no first-place finishes in the nine indicators that make up the overall index, it consistently ranked among the leaders. San Antonio's highest ranking in the indicators was seventh in job growth for 2005–2010. This shows that San Antonio was not only shielded from the most devastating impacts of the Great Recession but also participated in the subsequent recovery.

San Antonio is among a handful of metros that reached their prerecession employment peak by mid-2011. Home to several military installations, San Antonio has benefited from the Base Realignment and Consolidation (BRAC) process that has caused an influx of facilities and personnel.

Additionally, San Antonio benefited from expansions at its military installations, growth in health care and biosciences, renewed investment in oil and gas exploration and non-traditional energy sources, as well as revived production at a Toyota truck plant and its impacts on suppliers.

Table 1. Best-performing cities: Top 25 large metros

Rank according to 2011 index

Metropolitan statistical area (MSA)	2011 rank	2010 rank
San Antonio, TX	1	14
El Paso, TX	2	9
Fort Collins-Loveland, CO	3	50
Austin-Round Rock, TX	4	2
Killeen-Temple-Fort Hood, TX	5	1
Salt Lake City, UT	6	49
Anchorage, AK	7	8
Huntsville, AL	8	3
Provo-Orem, UT	9	25
Kennewick-Richland-Pasco, WA	10	5
Charleston-North Charleston, SC	11	19
Cambridge-Newton-Framingham, MA	12	22
Cedar Rapids, IA	13	28
Raleigh-Cary, NC	14	7
Ogden-Clearfield, UT	15	53
Houston-Sugar Land-Baytown, TX	16	10
Washington-Arlington-Alexandria, DC-VA-MD-WV	17	6
McAllen-Edinburg-Mission, TX	18	4
Little Rock-North Little Rock-Conway, AR	19	93
Dallas-Plano-Irving, TX	20	17
Bethesda-Gaithersburg-Frederick, MD	21	20
Omaha-Council Bluffs, NE-IA	22	46
Madison, WI	23	31
Fort Worth-Arlington, TX	24	23
Lubbock, TX	25	24

Source: Milken Institute.

10 Largest Cities

The largest metropolitan areas face unique challenges to growth, including high density and minimal space for expansion. For this reason, it is appropriate to look at their performances separately. It is unreasonable to expect cities like New York, Los Angeles, or Chicago to grow at the same rate as Austin, Salt Lake City, or Huntsville, Ala. However, the big metro areas could take some cues from the favorable business climates in these fast-growing locales.

Houston–Sugar Land–Baytown, Texas, was the best performer among the biggest cities, though it slipped six spots to 16th in the overall index. Oil and gas exploration is nearly 15 times more important in Houston than in the nation as a whole. Driven by energy exploration and its supporting industries, Houston's job growth in 2005–2010 was the sixth highest in the nation. Elevated oil prices will continue to support both upstream and downstream activity. Increased shale gas drilling has also been a tremendous boost to the local energy sector. In 2005–2010, the sector created more than 15,000 jobs. At the same time, 19,000 engineering and professional jobs were created, many of them high-wage positions supporting the energy sector.

Biggest Gainers

A range of factors were at work in the metro areas that made the biggest gains in the 2011 index. Several experienced a severe housing market collapse that has now worked its way through the system, allowing economic conditions to stabilize. Several technology-dependent metros are recovering, especially those experiencing a boom in social networking. Others are witnessing an increase in heavy durable equipment manufacturing output related both to rapid gains in export markets and domestic activity.

Merced, Calif., recorded the biggest jump in ranking, skyrocketing 105 positions to 63rd. The epicenter of the housing bubble collapse, Merced has seen a correction in its housing market. Trade and transportation activity has also supported new hiring. **Worcester, Mass.**, was the next biggest gainer, hurdling 88 places from last year to 41st. It is experiencing spillover from nearby Cambridge due to Worcester's lower housing and business costs. **San Jose-Sunnyvale-Santa Clara, Calif.**, was third on the list, leaping 81 places to 51st overall. It is a story of renewed expansion in IT equipment and services and a flurry of activity in the social media space. California had four metros among the biggest gainers, followed by Massachusetts with three.

Best-Performing Small City

Logan, Utah-Idaho, leaped 18 places to become the best-performing small metro in 2011, after placing 19th the previous year. Job growth improved significantly in 2009–2010 at more than 2 percentage points higher than the national average. From June 2010 to June 2011, employment in Logan increased by almost 3 percent at a time when most U.S. metros were losing jobs. Unemployment in Logan was 5.3 percent in 2010, well below the state and national average.

Introduction

The Best-Performing Cities index was designed to measure objectively which U.S. metropolitan areas are experiencing the best overall economic performance based on growth measures such as job creation and retention, the quality of jobs being produced, and overall economic outcomes. Specifically, the index pinpoints where jobs are being created and maintained, where wages and salaries are increasing, and where economies and businesses are growing and thriving.

The index allows businesses, industry associations, economic development agencies, investors, academics, government officials, and public-policy groups to assess, monitor, and gain insight into each metro's relative performance. It also provides benchmarking data that can be used in developing strategies to improve and maintain a metro's economic performance.

Moreover, it is a tool for understanding consumer markets and business expansion opportunities as communities recover from the Great Recession. Determining which communities are recovering at the fastest pace and which weathered the recession best provides a framework for understanding the opportunities and related risks. Only a handful of communities have seen employment rebound to prerecession peaks; these regions are poised to capture a bigger share of the impending expansion.

The 2011 index applies the methodology used in previous indexes. We employ the geographic terms and definitions used by the Office of Management and Budget (OMB), which uses data from the 2000 census. The OMB defines a metropolitan statistical area (MSA) as a region generally consisting of a large population nucleus and adjacent territory with a high degree of economic and social integration, as measured by community ties.¹ Using these parameters, the agency identifies 374 metropolitan statistical areas.² County population growth accounts for the creation of new MSAs.

If specific criteria are met, an MSA with a single nucleus and a population of 2.5 million or more is further divided into geographic areas called metropolitan divisions. There are currently 29 metropolitan divisions. For example, two metropolitan divisions (Los Angeles–Long Beach–Glendale and Santa Ana–Anaheim–Irvine) make up the Los Angeles–Long Beach–Santa Ana MSA. We include the smaller metropolitan divisions in the index to reflect more accurate geographic growth patterns.

Outcomes-Based, Not Cost-Based

The components shown in the following table are used to calculate our index rankings. The index measures growth in jobs, wages and salaries, and technology output over a five-year span (2005–2010 for jobs and technology output and 2004–2009 for wages and salaries) to adjust for extreme variations in business cycles. It also incorporates the latest year's performance in these areas (2009–2010 for jobs and technology output and 2008–2009 for wages and salaries). Lastly, it includes 12-month job growth performance (June 2010–June 2011) to capture recent momentum among metropolitan economies.³

1 Office of Information and Regulatory Affairs Statistical and Science Policy Branch, Office of Management and Budget, OMB Bulletin No. 04-03.

2 Office of Management and Budget, OMB Bulletin No.09-01, p.3, November 20, 2008. Our index, however, ranks 379 MSAs for which employment and wage data are available on a consistent basis. We exclude those metropolitan areas that are composed of metropolitan divisions.

3 The latest 12-month job performance calculates the percentage change from the same month in the previous year (e.g., the percentage change in jobs from June 2010 to June 2011). The percentage change is a measure of recent momentum, capturing which metropolitan areas have improved their performance in recent months.

The annual growth rate measures the percentage change from calendar year 2009 to 2010. While the annual growth rate does not indicate whether high growth was achieved or diminished in the first or latter half of the year, the 12-month growth rate captures that aspect. Employment, wages, and gross metro product data are compiled from various government agencies, including the Bureau of Labor Statistics (BLS), the Bureau of Economic Analysis (BEA), and the Census Bureau. More detailed coverage on individual sectors is derived from Moody's Economy.com.

Employment growth is weighted most heavily in the index because of its critical importance to community vitality. Wage and salary growth measures the quality of the jobs being created and sustained. Technology output growth is another key element of economic vibrancy.

Other measures reflect the concentration and diversity of technology industries within the MSAs. High-tech location quotients (LQs), which measure the concentration of the technology industry in a particular metro relative to the national average, are included to indicate a metro's participation in the knowledge-based economy.⁴ We also measure the number of specific high-tech industries (out of a possible 25) whose concentrations in an MSA are higher than the national average.

Best-Performing Cities is solely an outcomes-based index. It does not incorporate explicit input measures (business costs; cost-of-living components, such as housing; and other quality-of-life measures, such as commute times or crime rates). These measures, although important, are vulnerable to large variations and can be highly subjective, making them less meaningful than more objective indicators of outcome.

Businesses choose to locate in particular areas for various reasons. Some, for instance, opt to remain in high-cost cities despite the availability of lower-cost locations. The output measures used for this index include the benefits of situating in expensive locations. Theoretically, a prospering region will raise wages and rents as its businesses tap into more human capital and available space. Nevertheless, holding all other factors constant (such as the productivity associated with being in one location vs. another), a company will generally choose to locate where business costs are lower and employees enjoy higher living standards.

Table 2. Components of the Best-Performing Cities index

Component	Weight
Job growth (I=2005)	0.143
Job growth (I=2009)	0.143
Wage and salary growth (I=2004)	0.143
Wage and salary growth (I=2008)	0.143
Short-term job growth (Jun09-Jun10)	0.143
Relative high-tech GDP growth (I=2005)	0.071
Relative high-tech GDP growth (I=2009)	0.071
High-tech GDP location quotient	0.071
Number of high-tech industries with GDP LQ>1	0.071

Note: I refers to the beginning year of index.
Source: Milken Institute.

4 An industry's location quotient (LQ) measures the level of employment concentration in a given location (in this case, an MSA) relative to the industry average across the United States. A metro with an employment LQ higher than 1.0 in a high-tech industry, for example, has a greater concentration of that industry than the national average. It indicates whether a metro has successfully attracted an above-average mass of high-tech industries. Metros that exceed the national average in high-tech industry LQ have an edge in attracting and retaining high-tech firms because of their dense employment base and other positive agglomeration, or clustering, factors.

National Economic Conditions

The Great Recession has been followed by a Rogoff/Reinhart constrained recovery: meaning that necessary deleveraging of financial balance sheets on the part of consumers and businesses, and partly through transfer to public balance sheets, limits the potential pace of recovery. Consumer spending has been restrained by the modest pace of hiring and the deleveraging of balance sheets. However, a dichotomy exists between large and small and medium-size businesses: Corporate balance sheets are in excellent shape while smaller firms continued to delever and are experiencing difficulty in accessing bank credit.

The U.S. economy entered 2011 with momentum but soon experienced renewed headwinds. Revised data indicated that the recession was more severe—and the recovery far weaker—than previously believed. But the media, financial markets and Main Street were too distracted by the debt ceiling and deficit reductions talks under way in Washington⁵ to pay attention.

Recession revisited: The Bureau of Economic Analysis on July 22 released revised national income and product accounts going back to 2008 that showed real GDP had declined by 1.1 percentage points more during the recession than estimated. It also revealed that the economic recovery was softer than previously thought. By the second quarter of 2011, real GDP had not reached its prior peak—contradicting previous estimates that the expansion point had been reached in the fourth quarter of 2010.

Significant downward revisions were made to the first quarter of 2011, with real GDP rising at an annual rate of just 0.4 percent. With second-quarter growth of 1.3 percent, economic growth was at an annual rate of 0.8 percent in the first half of 2011. Many economists were predicting that the U.S. would experience a double-dip recession in the second half of 2011, but real GDP growth recovered to 2.0 percent in the third quarter.

Unemployment: The job market is improving, but not enough to lower the unemployment rate in a meaningful way. The Labor Department's survey of establishments showed that job growth had ground to a halt over the summer. Subsequent revisions show that while employment growth didn't stall, it was still sluggish at just 134,000 jobs per month over the last three months.

Due to a strong gain of 277,000 jobs, the unemployment rate in November declined to 8.6. percent, based on the Labor Department's survey of households. However, much of that decline was due to fewer people looking for work. In recent months, the household survey has been demonstrating stronger job growth than the establishment survey. While the household survey is a smaller sample and more volatile on a monthly basis, it may be signaling that small and medium-size businesses are beginning to hire again.

Consumer confidence: Consumer confidence plummeted in the third quarter, but real consumer spending has done remarkably well over the past few months. Despite lingering damage from the debt-ceiling debates, sovereign-debt concerns in Europe, and slow job creation, U.S. households with employed members have cut their debt burdens, and interest rates are at record lows. Falling gasoline prices are helping as well.

Housing: There are signs that housing prices are beginning to stabilize, but foreclosures remain elevated, and substantial shadow inventory could still find its way into the housing market. The fear that housing prices might fall further has kept buyers and lenders on the sidelines. Contract cancellations remain at elevated levels,

⁵ Ross DeVol, "Deficits, Debt and the Downgrade: Implications for Financial Markets and the U.S. and World Economies," Milken Institute, August 2011, p 7.

and existing home sales are basically flat. Modest gains in employment are helping to support rising demand. Indicators such as housing prices relative to income are below trend, as are housing prices relative to rental prices. The good news is that household formation rates should begin to approach 1 million soon, while new housing units are being added at half that rate. The building activity is being fueled by rising rents and few apartment vacancies. Multi-family housing starts have already begun to improve, and construction employment has stopped declining.

Business spending: A spike in business investment in equipment, especially IT and software, is the unheralded story of this recovery. Purchases of servers, routers, other communications equipment, and the software that runs them are surging. Much of the increase is due to pent-up demand from businesses that had deferred IT equipment investments.

Quietly, spending on structures has been recovering, too. It rose at an annual rate of 15.4 percent in the third quarter after a 23.1 percent jump in the second quarter. Some of this is due to a surge in oil and natural gas drilling, but nonresidential building has bottomed out.

Trade: U.S. exports rose almost 18 percent in the past year. Exports of computers, peripherals, and parts will experience the most rapid gains over the next five years, posting around 15.0 percent annual growth. The current account deficit should shrink this year due to strong profits on overseas earnings. Exports of other capital goods, including semiconductors, are projected to climb nearly 12 percent annually over the next five years. Aircraft exports will see gains in excess of 7 percent during the five-year period.

Euro zone: The biggest risk to the U.S. economy stems from a possible recession in the euro zone and a decline in U.S. exports to the region. We aren't nearly as reliant on exports to the euro zone as we were several decades ago. Less than 19 percent of our exported goods and services go to the EU. A 10 percent decline in our exports to the EU would result in a 2 percent decline in our total exports and a 0.2 percent hit to GDP growth. Exports to Canada, Mexico, China, and other Asian nations (with the exception of Japan) should largely offset the decline.

The extent of U.S. banks' exposure to the euro zone is relatively low. U.S. banks are in better shape than three years ago; their equity capital is higher, and they are more liquid. U.S. money markets have cut their exposure to European sovereign debt by one-third to one-half since the spring. The wild card: Who insured Greek government bonds against defaults? This remains a largely unknown risk.

Biggest Gainers

A range of factors were at work in the metro areas that made the biggest gains in the Best-Performing Cities index. Many experienced a severe housing market collapse that has now worked its way through the system, allowing economic conditions to stabilize. Several technology-dependent metros are recovering, especially those experiencing a boom in social networking. Others are witnessing an increase in heavy durable equipment manufacturing output related both to rapid gains in export markets and domestic activity.

Merced, Calif., recorded the biggest jump in ranking, vaulting 105 positions to 63rd. The epicenter of the housing bubble collapse, Merced has seen a correction in its housing market. Trade and transportation activity has also supported new hiring. **Worcester, Mass.,** was the next biggest gainer, hurdling 88 places to 41st. It is

experiencing spillover from nearby Cambridge due to Worcester's lower housing and business costs.

San Jose-Sunnyvale-Santa Clara, Calif., leaped 81 places to 51st this year. It is a story of renewed expansion in IT equipment and services and a flurry of activity in the social media space. California had four metros among the 15 biggest gainers, followed by Massachusetts with three.

Table 3. Biggest gainers

Change in rankings

Metropolitan statistical area (MSA)	2011 rank	2010 rank	Spots climbed
Merced, CA	63	168	+105
Worcester, MA	41	129	+88
San Jose-Sunnyvale-Santa Clara, CA	51	132	+81
Little Rock-North Little Rock-Conway, AR	19	93	+74
Springfield, MA	57	127	+70
Evansville, IN-KY	74	140	+66
Reading, PA	79	144	+65
Providence-New Bedford-Fall River, RI-MA	110	175	+65
York-Hanover, PA	32	94	+62
Portland-South Portland-Biddeford, ME	78	137	+59
Oxnard-Thousand Oaks-Ventura, CA	124	180	+56
Lexington-Fayette, KY	45	100	+55
Columbus, OH	55	108	+53
San Francisco-San Mateo-Redwood City, CA	52	103	+51
Holland-Grand Haven, MI	148	199	+51
Fort Collins-Loveland, CO	3	50	+47
Salt Lake City, UT	6	49	+43
Pensacola-Ferry Pass-Brent, FL	73	116	+43
Nashville-Davidson-Murfreesboro-Franklin, TN	42	84	+42
Portland-Vancouver-Beaverton, OR-WA	65	107	+42

Source: Milken Institute.

Biggest Decliners

Ongoing housing woes represent a common thread for most of the biggest decliners. Several are also state capitals where large budget gaps resulted in the layoffs of state employees. A few witnessed job cuts in the financial sector. And others saw a previous surge in energy-related activities dissipate, causing those metros to fall in the rankings.

Lafayette, La., which plummeted 82 places to 93rd, falls into the latter category. The Gulf of Mexico oil spill caused drilling activity to cease in the Gulf and drilling-service centers, such as Lafayette, suffered. Severe drought conditions in Northern and Central California curbed the water allotment to the region's agricultural industry, sending **Visalia-Porterville, Calif.**, tumbling 81 spots to 151st. **Kansas City, Mo.-Kan.**, was the third -biggest decliner, diving 77 places to 137th. A weak recovery in manufacturing activity and housing troubles explain the metro's decline.

Table 4. Biggest decliners

Change in rankings

Metropolitan statistical area (MSA)	2011 rank	2010 rank	Spots down
Lafayette, LA	93	11	-82
Visalia-Porterville, CA	151	70	-81
Kansas City, MO-KS	137	60	-77
Olympia, WA	105	36	-69
Manchester-Nashua, NH	158	90	-68
Albany-Schenectady-Troy, NY	106	41	-65
Hagerstown-Martinsburg, MD-WV	175	110	-65
Gary, IN	195	130	-65
Baton Rouge, LA	89	26	-63
Bridgeport-Stamford-Norwalk, CT	169	111	-58
Green Bay, WI	157	102	-55
Charlotte-Gastonia-Concord, NC-SC	114	62	-52
Amarillo, TX	67	16	-51
Des Moines-West Des Moines, IA	83	33	-50
Columbia, SC	115	65	-50
Tulsa, OK	86	38	-48
St. Louis, MO-IL	90	44	-46
Winston-Salem, NC	164	119	-45
Richmond, VA	119	79	-40
Tallahassee, FL	126	88	-38

Source: Milken Institute.

Best-Performing Large Cities

1 San Antonio, Texas, leaped 14 positions to earn the top spot in our 2011 ranking of the 200 largest U.S. metros. Although it had no first-place finishes in the nine indicators that make up the overall index, it was consistently among the leaders. San Antonio's highest ranking was seventh in long-term job growth for 2005-2010. This shows that San Antonio was not only shielded from the most devastating impacts of the Great Recession but also participated in the subsequent recovery.

San Antonio is among a handful of metros that reached their prerecession employment peak by mid-2011. Home to several military installations, San Antonio has benefited from the Base Realignment and Consolidation (BRAC) process that has caused an influx of facilities and personnel. The metro also saw growth in health care and biosciences, renewed investment in oil and gas exploration and non-traditional energy sources, and revived production at its Toyota truck plant. Similar to other Texas metros, its attractive business climate and less onerous regulatory environment attracted expansions from firms headquartered elsewhere and retained homegrown entrepreneurs.

Lackland Air Force Base, Fort Sam Houston and Randolph Air Force Base together employ 77,100 in the metro area. This provided stability during the recession and support for related jobs in retail, services, construction, medicine, cybersecurity, and other areas. BRAC has been kind to San Antonio's economy, providing nearly \$2 billion in construction contracts⁶ across the metro area. San Antonio will benefit from this activity through

⁶ Robert Crowe, "San Antonio Employment Outlook Strong," October 28, 2011, Houston Business Journal, <http://www.bizjournals.com/houston/print-edition/2011/10/28/san-antonio-employment-outlook-strong.html?page=all>.

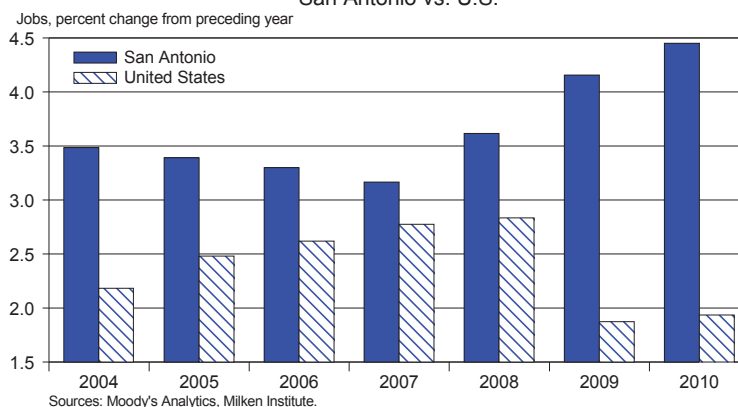
2012 as facility expansion will be completed at that point. One example of BRAC-related spillover effects is BTL Technologies, which supplies IT and medical services to the military. BTL plans to double its staff, creating hundreds of new jobs in the region.⁷

The military-related expansion is increasing demand for health-care services and health-care education to supply the necessary professional staff. Health-care and biomedical industries employ 142,000 people in the region. Fort Sam Houston houses the Department of Defense's only Level 1 trauma center and its only burn treatment center. Fort Sam's recently completed Medical Education & Training Campus will be the hub for training approximately 47,000 medical staff per year. The metro is also home to non-military-related biosciences specializations that include diabetes, regenerative medicine, infectious disease research, cancer therapy and research, and the neurosciences. Medtronic, for example, established a new diabetes service delivery office in 2009.

Energy-related activities have boomed in the region, too. Recent advances in horizontal drilling techniques and 3D visualization submersion technologies have made the Eagle Ford shale formation more attractive to oil and gas companies. From June 2010 to June 2011, natural resource mining increased 7.9 percent in the metro area, which will support thousands of oil and gas field service jobs. Halliburton is looking to build a "supersite," and Schlumberger may establish operations in the area as well.⁸ Canadian-headquartered energy services firm Sanjel has hired 200 workers over the past year and plans to add 300 more. Additionally, the city of San Antonio has partnered with CPS Energy to recruit businesses that focus on energy efficiency and pollution reduction.⁹ Several years ago, San Antonio won the competition for a Toyota truck manufacturing plant, but the recession and less demand for trucks took the shine off the project. However, as North American demand recovers and parts supply constraints ease in the aftermath of the Japanese tsunami and nuclear disaster, production is set to reach the initial target. Jobs at the facility and related suppliers should number more than 7,000.

Consumer spending and housing activity, which remained strong during the recession, have expanded further. In the first half of 2011, sales tax revenue was 6 percent higher than during the same period in 2010, and retail sales jobs have been more plentiful. New-home construction activity faltered during the recession, but residential markets remained much more stable than the nation overall. Housing prices fell less than 5 percent from their peak. New residents are helping to support these markets; San Antonio saw a net gain of 28,721 residents, according to the U.S. Census Bureau's 2010 numbers.

Figure 1. Education and health services
San Antonio vs. U.S.



⁷ Moody's Analytics, Précis Metro, San Antonio, Texas, July 2011.

⁸ Vicki Vaughan, "Oil field services providers step up Halliburton, Schlumberger seek sites near San Antonio," Houston Chronicle, August 27, 2011. <http://global.factiva.com/ha/default.aspx>.

⁹ David Bauerlein, "San Antonio mayor extols energy jobs JCCI hears of strategy that it helped develop," Florida Times-Union, September 10, 2011. <http://global.factiva.com/ha/default.aspx>.

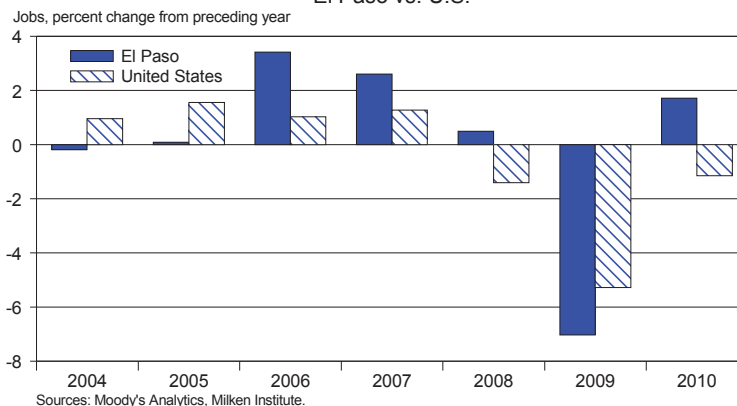
2

El Paso, Texas, which leaped seven places to second, has benefited more from the military base realignment than any other metro. The metro ranked fourth in job growth in 2010, demonstrating its leadership in job creation since the nation's recovery began in 2010. Fort Bliss, one of the Army's largest and fastest-growing bases, has more than doubled in population since 2005 to more than 27,000,¹⁰ making it a dominant player in a city of just 278,000 people.¹¹ These population gains are fueling increased demand for public schools, health care and retail. Thousands more troops and their families will relocate to El Paso over the next several years.

El Paso is a major trade land bridge between Mexico and the U.S. Juarez is home to thousands of maquiladora jobs despite a recent escalation in drug-related violence. Most components are manufactured in El Paso, shipped to Juarez for final assembly, and exported back to the U.S. There are indications that Mexican maquiladoras are becoming bigger competition for China, primarily because of transportation costs. Auto parts production is beginning to recover, and cross-border logistics activity is also improving. Additionally, many people who live and work in Juarez spend their paychecks in El Paso on retail, tourism and transportation. The Mexican economy has remained one of the strongest among members of the OECD.

Multifamily building permits in 2010 were the highest since the mid-1980s, with new construction aimed largely at housing the expanding military population. Since the military is a very transient lifestyle, new construction of apartments is rising at a rapid pace. However, even the single-family construction market is seeing renewed activity. Education and health-care services are also growing as a result of population growth.

Figure 2. Trade
El Paso vs. U.S.



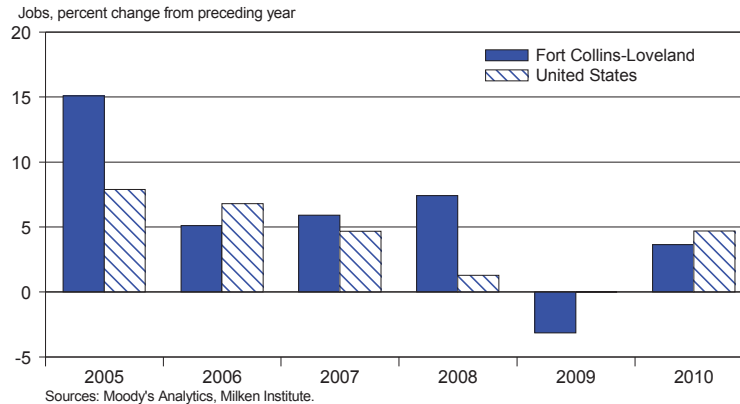
3

Fort Collins-Loveland, Colo., gained 47 spots to reach third in this year's index. The metro is quickly gaining a reputation for offering many of the same amenities as Boulder but at a much lower cost. Home to Colorado State University, Fort Collins has attracted many high-tech firms over the years. It ranked 21st among the metros in the importance of high-tech activity to its economy and placed fifth in job growth for June 2010–June 2011.

¹⁰ "Community Profile 2011," El Paso Planning and Economic Development, www.elpasotexas.gov/ped.

¹¹ Vic Kolenc, "El Paso Economy's Growth Outpaces Most Cities," El Paso Times, June 22, 2011.

Figure 3. High-tech output
Fort Collins-Loveland vs. United States



The metro's major tech employers include Avago Technologies, Intel, Abound Solar, and Agilent Technologies. It's no surprise that technology output is more than 50 percent more important to the Fort Collins economy than the national average. These sectors pay high wages, with professional and business services representing a larger proportion of employment in the metro than for the U.S. overall. In part because of its university, the metro is among the leaders in innovative infrastructure investments. A new public-private partnership is installing 13 electric vehicle charging stations in 2011, and more are planned in the future.¹²

Taxable sales are rising at a brisk pace, reflecting recovering job and wage growth. The fastest gains in job growth have been in professional and business services, up 5.4 percent from June 2010. An influx of new residents is helping to firm up housing markets.

4

Austin-Round Rock-San Marcos, Texas, almost a perennial among the top performers, slipped to fourth from second last year. For the five-year period ending in 2010, Austin had the third-fastest job growth in the nation. It is the largest metro to exceed its peak level of employment prior to the recession. Given its concentration in chips and computers, both volatile industries, the region's economic stability is remarkable. The University of Texas, Austin, and the state capital have helped insulate Austin from the national economic contractions.

Austin is a center of semiconductor production. After weathering a collapse in demand, Samsung Austin Semiconductor (SAS) is expanding its huge fabrication facility. An incremental \$3.6 billion investment is under way, bringing its total investment in the Austin area to \$9.2 billion. The facility is expected to create 7,600 jobs directly and indirectly, \$296 million in wages annually, and \$1.4 billion in total local economic activity per year. In addition, eBay is expanding its Austin office, and the city is attracting some operations of Facebook.¹³

Based in Round Rock, Dell is the largest technology employer in the metro area with more than 14,000 employees. It is investing heavily in data centers and rapidly adding high-skilled employees. IBM, Freescale Semiconductor, AT&T, Apple Computer, National Instruments, and AMD are major employers in the region as well.¹⁴

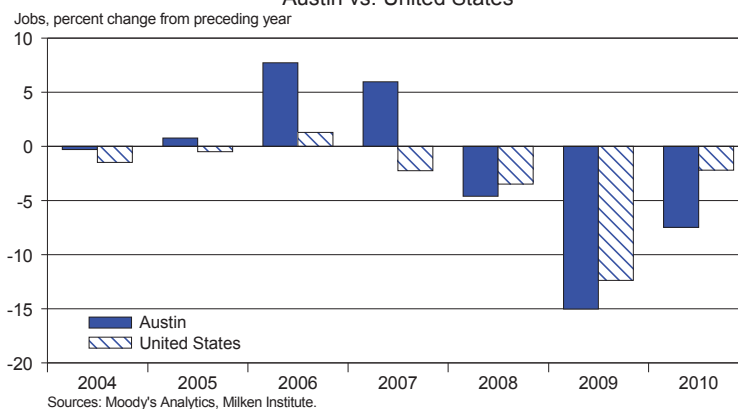
¹² Moody's Analytics, Metro Précis, Fort Collins, Colo., April 2011.

¹³ 2011 Metro Rankings Report, July/August 2011, pp. 46-49. <http://businessfacilities.com/special-report/2011-metro-rankings-report/> (accessed December 8, 2011).

¹⁴ Moody's Analytics, Metro Précis, Austin, Texas, July 2011.

Retail and housing markets are recovering, thanks to job and wage gains at these tech employers. Due to an influx of new residents, housing prices barely slipped during the recession. Austin has one of the most educated populations in the country; over 37 percent of adults have at least a bachelor's degree.

Figure 4. Semiconductor and other electronic component manufacturing
Austin vs. United States



5

Killeen-Temple-Fort Hood, Texas, which was last year's best-performing city, slid to fifth in the rankings. Growth slowed throughout 2011, but the metro's performance over the past five years kept it in the Top 5. The region placed first in wage and salary growth for 2004–2009 and no lower than fourth in job growth. Expansion at Fort Hood helped Killeen weather the recession, but the metro area's civilian employment now exceeds its pre-recession peak.

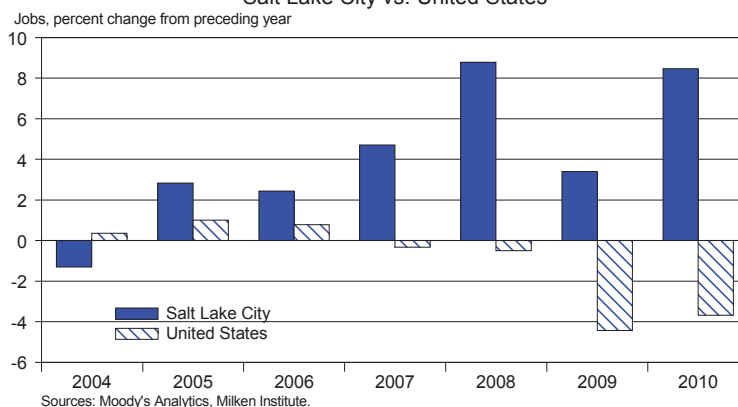
No community in the nation has closer economic ties to a military installation than Killeen does to Fort Hood. The base employs more than 71,000 of the area's 130,000 workers. The metro's economy has increasingly aligned with Fort Hood over the years as it became the Army's largest base. The military personnel expansion has largely ended, but Fort Hood's medical center is undergoing a renovation. The base has attracted defense contractors such as Northrop Grumman and Westar to the region with the well-paying jobs they provide.

Community leaders understand that Fort Hood's stimulus is dissipating, and they are moving aggressively to diversify the economy. The metro's location on the I-35 trade corridor with Mexico may provide new opportunities. Support activities for transportation services are highly concentrated in the metro area at double the U.S. average. Given Killeen's lower housing costs and proximity to Austin and Dallas, scientific and other professional services might also be prospects for growth.

6

Salt Lake City, Utah, rocketed from 49th to sixth overall in this year's index. The metro ranked in the upper tier in a number of components, but most notable was its high-tech diversity. With a high concentration of pharmaceuticals, medical devices, transportation equipment, various components of computer design, and data-processing services, the metro boasts the 12th most diverse mix of high-tech industries in the nation. Increased demand for high-tech products (including navigational, measuring, electromedical, and control instruments) helped boost the region's exports and allowed the sector to create an additional 1,400 jobs in the past five years. L-3 Communications Systems-West and Qwest Communications are key players in the region.

Figure 5. Navigational, measuring, electromedical, and control instruments
Salt Lake City vs. United States



Thanks in part to Salt Lake's contribution, Utah was the only state to double its volume of exports over the past five years. Gold and silver were also key, accounting for nearly 52 percent of the state's exports by value.¹⁵ Kennecott Utah Copper recently proposed expanding its copper mine and extending its life to 2034. If approved, the expansion would retain 2,000 jobs and prevent a shutdown set to start in 2016.¹⁶ The expansion might also create related non-mining jobs from trucking to equipment manufacturing. The presence of a well-educated workforce, low business costs, and research ties to University of Utah places the metro in a competitive position. Furthermore, Salt-Lake City also serves as a hub for various financial services. Zions Bancorporation and Discover Financial Services hold a large employment presence in the metro.

7

Anchorage, Alaska, inched up one position to take seventh place. A stable military presence and large-scale energy activities have sustained Anchorage's economy. Higher oil prices due to unrest in the Middle East and demand from emerging markets have further bolstered local exploration while providing a healthy revenue stream to the state.¹⁷

The metro has seen growth in both jobs and wages over the five-year period; in fact, it ranked second in wage growth in 2008–2009. This growth is largely due to the high-skilled, high-wage jobs in and around the energy industry. For example, Anchorage's oil and gas extraction industry has created additional jobs in R&D, transportation, and related financial and administrative industries. A major cargo hub, Anchorage has also benefitted from increased shipping at its port, where tonnage was up an estimated 20 percent in the first four months of this year.¹⁸

8

Huntsville, Ala., slipped five spots to eighth overall. It performed well in long-term growth in wages and jobs, and ranked sixth in short-term wage growth. Huntsville boasts one of the highest concentrations of high-tech output thanks to its aerospace and defense industries. The largest contributor to growth, however, was the federal government, which generated more than 2,000 jobs in 2009–2010.

15 Jasen Lee, "Exports key economic driver in Utah," *Deseret News*, September 22, 2011. <http://www.deseretnews.com/article/705391286/Exports-key-economic-driver-in-Utah.html?pg=1> (accessed November 8, 2011).

16 Associated Press, "Kennecott proposing expansion of Utah copper mine," *TheStreet.com*, August, 16, 2011. <http://www.thestreet.com/story/10837207/1/kennecott-proposing-expansion-of-utah-copper-mine.html> (accessed November 8, 2011).

17 Yereth Rosen, "Alaska predicts oil price rise, bump in output," *Thompson Reuters*, December 3, 2010. <http://www.reuters.com/article/2010/12/03/oil-alaska-idUSN0312260220101203?feedType=RSS> (accessed November 7, 2011).

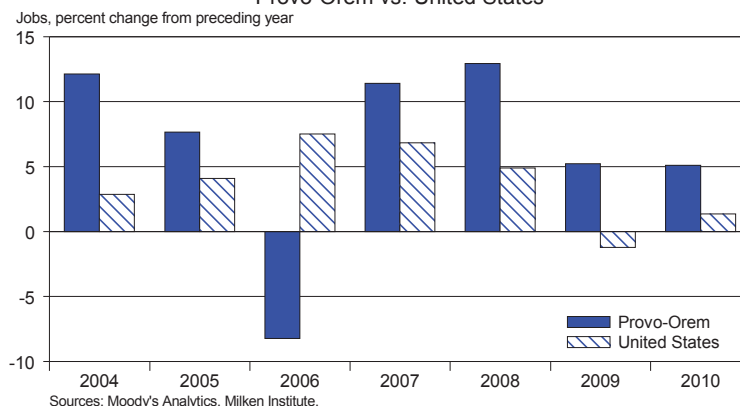
18 Mike Dunham, "Forecasters see growth in Anchorage population, economy," July 28, 2011, *The News Tribune/Anchorage Daily News*, <http://www.thenewstribune.com/2011/07/27/1761202/forecasters-see-growth-in-anchorage.html>, (accessed November 7, 2011).

While anticipated budget cuts will likely weigh on the local aerospace industry in the near future, the military's Base Realignment and Consolidation (BRAC) program will sustain growth for years to come. Since the 2005 realignment, more than 4,500 positions have been moved to Redstone Arsenal, home to NASA's Marshall Space Flight Center and the Missile Defense Agency. This growth in turn has attracted a significant wave of new residents¹⁹ and spawned ripple effects in retail, health care, education, and other areas.²⁰ IT services are likely to benefit as well. Harris Corp. was recently awarded a \$77 million contract to provide IT services to the Army Materiel Command headquarters being built at the arsenal.²¹ Separately, computer system design and related services added nearly 850 jobs in 2009–2010.

9

Provo–Orem, Utah, leaped 16 positions to ninth place, as employment soared by 3.3 percent in the past year. Local software and computer system design companies capitalized on revived business investment in IT software and equipment. In fact, professional, scientific, and technical services together with data processing services added nearly 3,000 jobs in 2005–2010. In the same period, computer hardware manufacturers created approximately 760 jobs. It's no surprise that Provo ranked 15th in long-term job growth and ninth in long-term wage growth.

Figure 6. Computer systems design and related services
Provo-Orem vs. United States



Provo continues to build on its high-tech specialties while offering lower business costs than other tech-intensive cities. Over the next several years, employers IM Flash, a joint venture between Intel Corp. and Micron Technology, and EMC Corp. plan to expand.²² And Adobe Systems recently announced a future 230,000-square-foot campus in Lehi that will eventually employ 1,000 residents.²³ Supporting Provo's high-tech mix is Brigham Young University. BYU not only produces skilled labor but also acts as a vital research anchor for area companies.

19 Kenneth Kesner, "BRAC moves to be complete in 2011, but impact far from over," The Huntsville Times, January 2, 2011. http://blog.al.com/breaking/2011/01/brac_moves_to_be_complete_in_2.html (accessed November 7, 2011).

20 Marian Accardi, "Huntsville-area retail market has felt the influence of BRAC," The Huntsville Times, September 4, 2011. http://blog.al.com/breaking/2011/09/huntsville-area_retail_market_1.html (accessed November 7, 2011).

21 Kenneth Kesner, "BRAC moves to be complete in 2011, but impact far from over."

22 "700 new technology jobs announced for Utah," Deseret News, June 20, 2011. http://www.deseretnews.com/article/705374840/700-new-technology-jobs-announced-for-Utah.html?s_cid=rss-14 (accessed November 7, 2011).

23 Cathy Allred, "Adobe coming to Lehi," (Provo) Daily Herald, October 2, 2010. http://www.heraldextra.com/news/local/article_381b545e-cd6e-11df-8ea9-001cc4c03286.html (accessed November 7, 2011).

10

Kennewick–Pasco–Richland, Wash., skidded five spots to 10th in this year's rankings.

Affordable compared to other parts in the state, Kennewick ranked first in both one-year and five-year job growth as well as one-year wage growth. The metro has seen a significant rise in employment propelled by the federally funded Hanford nuclear cleanup and ongoing construction of a \$12 billion plant to treat radioactive waste. Together, professional and business services along with waste management and remediation services have generated more than 3,400 jobs in the area—drawing new residents and creating ripple effects in health care and other local industries. But the momentum is slowing; 2,000 people were laid off at Hanford in 2011, and 1,000 more may lose their jobs next year.

Still, the metro is in a better position than ever to absorb the losses, thanks to emerging industries such as health care, manufacturing, and software and IT services,²⁴ and established ones like food processing.²⁵ The region's stability also benefits from the presence of the U.S. Department of Energy's Pacific Northwest National Lab.

11

Charleston–North Charleston, S.C., climbed to 11th in the rankings from 19th last year—and 30th the year before. Charleston's vibrant aerospace sector combined with a stable military presence contributed to overall job growth of 1.2 percent in the year ending June 2011. Thanks to aerospace

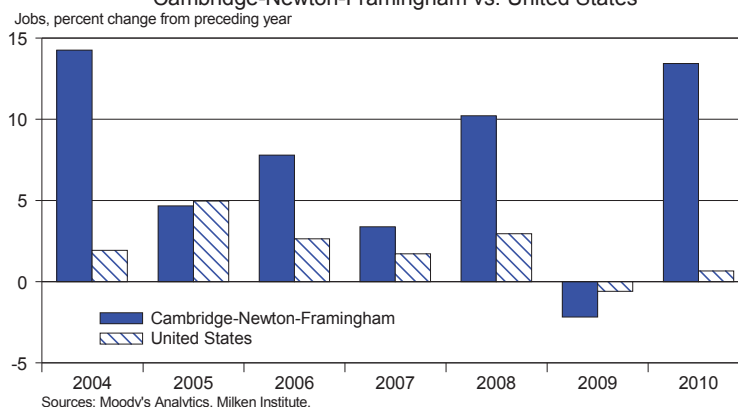
and data processing (hosting) services, Charleston ranked 16th in high-tech output for the five-year period. Boeing's new 787 Dreamliner assembly plant is clearly generating positive ripple effects as well: InterTech, a provider of aircraft components, is bringing 350 high-skilled jobs to North Charleston, where the first phase of a roughly \$35 million plant is expected to open in fall 2012.²⁶ Among the big employers are Naval Weapons Station Charleston and Charleston Air Force Base, with a combined workforce of nearly 18,000. A steady influx of retirees will continue to boost health-care and support services.

12

Cambridge–Newton–Framingham, Mass., leaped 10 spots to finish 12th among the 200 largest metros. Home to one of the nation's most educated labor forces, Cambridge ranks third in concentration of high-tech output. With a steady supply of high-skilled workers from MIT and

Harvard University, the metro has a number of biopharmaceutical and defense companies, including Novartis, Genzyme, Biogen, and Raytheon. A diverse mix of high-tech industries has propelled the metro forward through the recent downturn.

Figure 7. Scientific research and development services
Cambridge-Newton-Framingham vs. United States



24 Kristi Pihl, "Diversification softens hit of Hanford layoffs," Tri-City Herald, October 24, 2011. <http://www.tri-cityherald.com/2011/10/24/1690948/diversification-softens-hit-of.html> (accessed October 28, 2011).

25 Ibid.

26 Brendan Kearney and John McDermott, "InterTech aerospace unit to bring 350 jobs in North Charleston," The (Charleston) Post and Courier, September 14, 2011. <http://www.postandcourier.com/news/2011/sep/14/boeing-supplier-expected-build-plant-north-charles/> (accessed September 22, 2011).

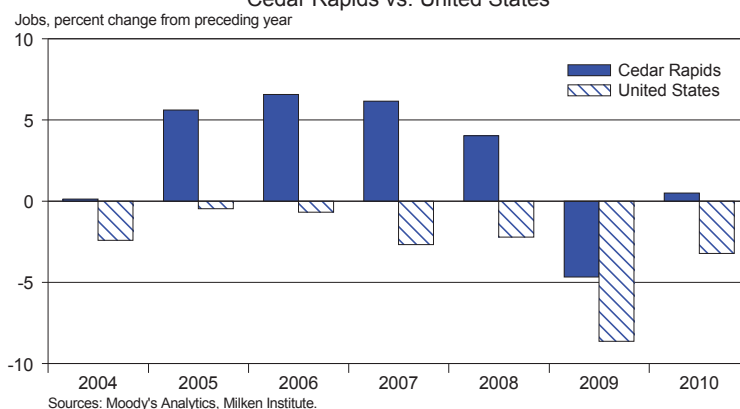
Short-term job growth was led by “administrative and support and other information services.” About 4,000 jobs were also created in scientific R&D. While Sanofi’s recent acquisition of Genzyme is expected to lead to layoffs, Sanofi has said that in the long term it will maintain a “sizeable presence” in the area.²⁷ Meanwhile, cuts in federal spending could slow growth for the foreseeable future.

13

Cedar Rapids, Iowa, hurdled 15 spots to 13th in the index. In 2005–2010, the metro’s job growth exceeded the national average by 7.5 percentage points. Led by one of its major players, Rockwell Collins, Cedar Rapids is rapidly emerging as a hub for aviation electronics. The industry’s (computer and electronics products manufacturing) employment concentration is five times the national average, and it has added 600 jobs since 2005.

The metro also has a significant share of financial and insurance services—nearly 2.5 times the national average. Led by Aegon, the industry has generated more than 1,200 jobs in recent years despite headwinds from the financial crisis and more recent natural disasters.

Figure 8. Computer and electronic product manufacturing
Cedar Rapids vs. United States



14

Raleigh–Cary, N.C., slipped from seventh to 14th in the latest index. The metro beat the national average in a number of categories, most notably ranking 10th in long-term job growth. Positioned in the Research Triangle, it has access to rich innovation assets, a highly-skilled labor pool and prominent industry clusters. The metro’s diverse industry mix includes telecom, biomedical, software, and IT services. These industries draw part of their workforce from nearby educational institutions, which attract a significant number of foreign students.

Population growth has created more demand for health-care services. Raleigh’s health sector has added 2,200 positions since December 2007, and a \$99 million expansion of the WakeMed North Healthplex in North Raleigh will create more health-care jobs.²⁸ The project should provide a much-needed stimulus to the battered construction industry and the economy overall. Other sectors will see a boost as well. Affiliated Computer

²⁷ Curt Nikisch, “Drug Maker Sanofi-Aventis To Buy Genzyme For \$20B,” WBUR, <http://www.wbur.org/2011/02/16/genzyme-sale> (accessed September 26, 2011).

²⁸ Alan M. Wolf, “WakeMed revives North Raleigh expansion,” Newsobserver.com, April, 14, 2011. <http://www.newsobserver.com/2011/04/14/1128386/wakemed-revives-north-raleigh.html> (accessed September 26, 2011).

Services expects to hire 1,500 temporary and permanent workers to man its call centers and 250 to provide technical support to consumer electronics clients (including PC maker Lenovo).²⁹ Similarly, HCL Technologies, a provider of IT services, plans to add 300 jobs.³⁰

15

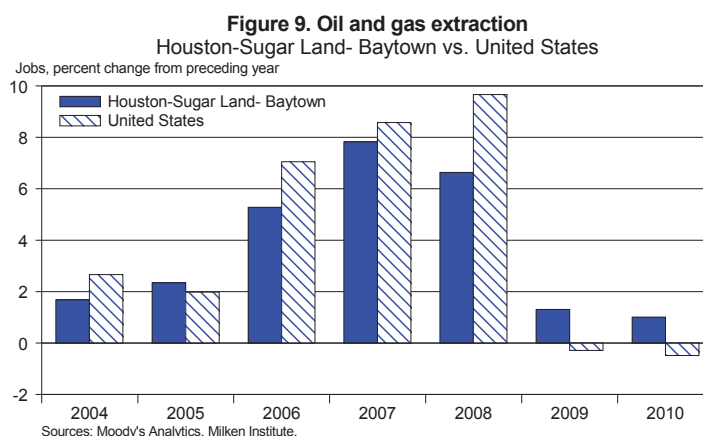
Ogden–Clearfield, Utah, vaulted a whopping 38 positions to land at 15th in the rankings. Led by employment in the federal government, health care and educational services, Ogden’s job base grew 3.7 percent in the last year—the second-highest rate in the nation. (The Myrtle Beach, S.C., metro area was first with employment growth of 5.24 percent.)

Home to the Hill Air Force Base, the region has a relatively high concentration of federal employment that has largely shielded it from the impacts of the recent recession and housing crisis. However, the metro’s dependence on government jobs poses some risk in the near future, thanks to projected budget cuts. For growth to be sustained, other industries will have to pick up the slack. Aerospace may be a likely candidate; an upcoming development project at the Ogden-Hinckley Airport is intended to lure more aviation activity to the area.³¹

16

Houston–Sugar Land–Baytown, Texas, slid six spots to 16th place. Oil and gas exploration is nearly 15 times more important in the region than the national average. Driven by energy exploration and its supporting industries, the metro’s long-term job growth was the sixth highest in the nation. Increased shale gas drilling has also added a tremendous boost to the local energy sector.³² In 2005–2010, the sector added more than 15,000 jobs. In the same period, 19,000 engineering and professional jobs were created, many of which provided support to the energy sector.

Located on the Gulf of Mexico, the metro has trade and distribution facilities that are integral to its growth. Gulf Coast ports, particularly Houston’s, will benefit from the ongoing expansion of the Panama Canal to facilitate the transport of larger containers. In response, the Port of Houston plans to enhance its infrastructure to increase capacity.³³



29 David Ranii, “ACS hiring 1,500 in Raleigh and Cary,” Newsobserver.com, August, 31, 2011. <http://www.newsobserver.com/2011/08/31/1450281/acs-hiring-1500-in-raleigh-and.html> (accessed September 26, 2011).

30 Ibid.

31 Mitch Shaw, “Clearance for development upgrade at Ogden airport,” (Ogden) Standard-Examiner, May 1, 2011. <http://www.standard.net/topics/economy/2011/04/30/clearance-development-upgrade-ogden-airport> (accessed September 27, 2011).

32 “Legend Natural Gas IV, LP Closes on \$900M Barnett Shale Acquisition,” CityBiznews, May 2, 2011. <http://houston.citybizlist.com/17/2011/5/2/Legend-Natural-Gas-IV-LP-Closes-on-900M-Barnett-Shale-Acquisition.aspx> (accessed September 28, 2011).

33 Molly Ryan, “Panama Canal Expansion to Boost Local Business,” Community Impact Newspaper, July 15, 2011. <http://impactnews.com/northwest-houston/328-news/13687-panama-canal-expansion-to-boost-local-businesses> (accessed September 27, 2011).

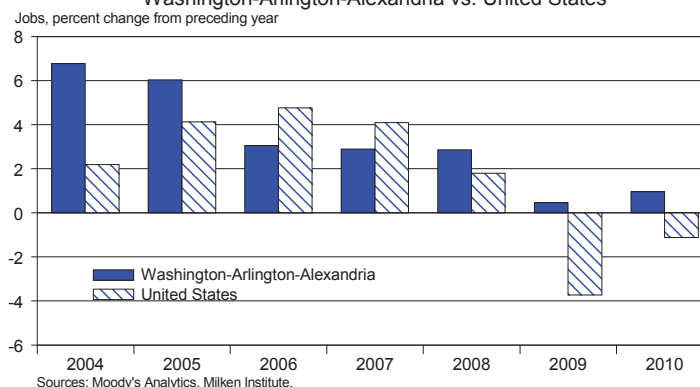
Houston has also emerged as a center for medical research and health-care services. The University of Texas Health Sciences Center, MD Anderson Cancer Center, and Baylor College of Medicine provide rich innovation assets, integrating the latest in cutting-edge research and technology and attracting patients from other states and abroad.³⁴

17

Despite slipping 11 spots, **Washington–Arlington–Alexandria, D.C.–Va.–Md.–W.V.**, remained among the Top 25 at 17th place. Federal employment has largely shielded the metro from the aftermath of the Great Recession, and 2009–2010 was no different. The government created 15,000 new jobs, providing a boost to many contractors, civil aviation operators, and government agencies involved in modernizing various segments of the nation's infrastructure. In the private sector, professional, scientific, and technical services—generally scientists and engineers—helped sustain much of the metro's job growth. The metro ranked ninth in wage growth; pay rose more than 5 percentage points faster than the national average in 2008–2009.

While the unemployment rate in the metro, currently at 6 percent, remains relatively low compared to the U.S. average, potential federal budget cuts present some risk.³⁵

Figure 10. Professional, scientific, and technical services
Washington-Arlington-Alexandria vs. United States



18

McAllen–Edinburg–Mission, Texas, plummeted to 18th from fourth last year, but it still ranked in the Top 10 in three of the nine components that make up the Best-Performing Cities index. McAllen enjoyed the second-highest job growth in the nation in 2005–2010 with educational and health-care services adding well over 14,000 jobs combined.

Drug violence across the border has continued to lure middle- and upper-class Mexicans—and their businesses—to McAllen,³⁶ boosting the population and the need for health care and other services. Mexican assembly plants near the border also contribute to McAllen's employment in management and various support services, which work with the plants to facilitate trade and logistics.³⁷ These plants of multinational firms have helped establish a trade-driven infrastructure in the metro.

34 Meredith Simons and Carolyn Lochhead, "More Americans going global for health care," Houston Chronicle, February 14, 2010. <http://www.chron.com/news/health/article/More-Americans-going-global-for-health-care-1595586.php> (accessed September 28, 2011).

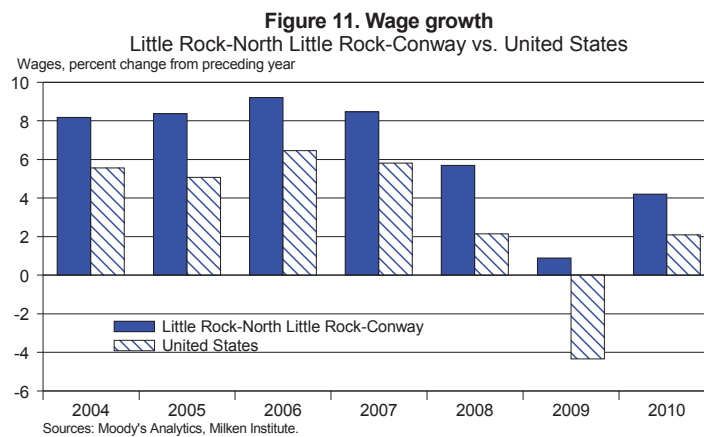
35 V. Dion Haynes, "D.C.-area unemployment rate rises to 6% in August," Washington Post, September 29, 2011. http://www.washingtonpost.com/business/dc-area-unemployment-rate-rises-in-august/2011/09/27/gIQA5qEM5K_story.html (accessed November 30, 2011).

36 Ana Ley, "Into the Valley: N. Mexico businesses pulled by growth, pushed by drug war," The (McAllen) Monitor, August 20, 2010. <http://www.themonitor.com/articles/pulled-42018-businesses-pushed.html> (accessed September 30, 2011).

37 Greg Flakus, "Border City McAllen, Texas Prospers Despite Mexico Violence," Voice of America, February 15, 2011. <http://www.voanews.com/english/news/usa/Border-City-McAllen-Texas-Prospers-Despite-Mexico-Violence-116280719.html> (accessed September 30, 2011).

19

Little Rock–North Little Rock–Conway, Ark., skyrocketed an astounding 74 positions to land at 19th. The metro's focus on generating high-quality jobs has paid off, reflected in its fifth-place ranking in wage growth in 2008–2009. Output growth, stemming from Little Rock's high-tech industries, was 12th highest in the nation in 2009–2010. Professional and scientific and data processing services accounted for much of this recent expansion.



Contrary to what is occurring in most U.S. cities, Arkansas government payrolls are growing and rippling through the rest of Little Rock's economy. Administrative and support services added over 2,200 jobs in the last year. The presence of both the University of Arkansas and University of Central Arkansas also generates stability and acts as a magnet for companies seeking educated workers and relatively lower costs. Little Rock can look forward to an additional boost from a \$32 million expansion of the Conway Regional Medical Center that is now under way.³⁸

20

Dallas–Plano–Irving, Texas, slid to 20th from 17th in last year's index. Job growth for the year ending June 2011 was 17th highest in the nation, driven by a national resurgence in business spending on information technology equipment and software that created jobs for programmers, engineers, and other skilled workers. Another contributor was administrative and support services, which added over 8,000 jobs in 2009–2010, a further indication of the ripple effects of additional investments and ability to attract new entrants in the Dallas metro. The region is home to several corporate headquarters, which support professional and technical services and create further opportunities for economic expansion.

The metro, a hub for call centers and various back-end offices, has seen increased demand in this area. Cologix, a network-neutral interconnection and colocation company, is investing in power infrastructure and leasing an additional 10,000 square feet in the Dallas Infomart.³⁹

21

Bethesda–Gaithersburg–Frederick, Md., lost just one position to land in 21st place. The metro ranked 20th in wage growth for 2008–2009, when pay rose 4 percentage points faster than the national average. Its high-tech output concentration is nearly 50 percent higher than the national average due to a strong defense and biomedical presence. Bethesda's diverse industry base is poised to become one of the nation's leading high-tech clusters, thanks to a high concentration of entrepreneurs and an abundance of venture capital in the region.

38 "Conway Hospital Hits Halfway Point in \$32 Million Expansion," ArkansasBusiness.com, May 14, 2011. <http://www.arkansasbusiness.com/article.aspx?aid=128420.54928.140549> (accessed October 3, 2011).

39 "Cologix, a New Network Neutral Interconnection and Colocation Company, Launches to Meet Growing Demand," Marketwire, October 18, 2011. <http://www.marketwatch.com/story/cologix-a-new-network-neutral-interconnection-and-colocation-company-launches-to-meet-growing-market-demand-2011-10-18> (accessed December 1, 2011).

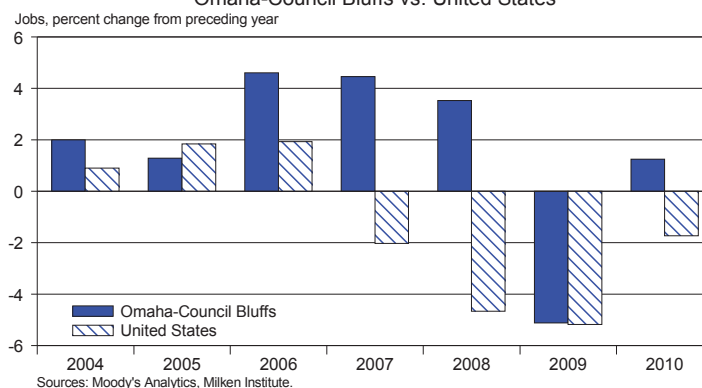
In 2009–2010, the federal government added approximately 2,200 jobs in the metro, but potential budget cuts loom large. However, the region will benefit from the recent consolidation of military hospitals that will make Bethesda National Naval Medical Center the largest such hospital in the country. Bethesda was expected to add 2,500 workers, most from Walter Reed Army Medical Center.⁴⁰

22

Omaha–Council Bluffs, Neb.–Iowa, leaped 24 spots to 22nd in the latest index. Much of the improvement was due to increased activity in financial processing. Omaha witnessed significant job growth in a number of industries around the card processing and financial services sector. Professional and business, credit intermediation, and insurance-related and other information services were among the largest gainers. The metro ranked 16th in high-tech output growth, largely triggered by the professional services sector.

Omaha is already home to a number of Fortune 500 companies: Berkshire Hathaway, Mutual of Omaha, Union Pacific Railroad, ConAgra Foods, and Kiewit.⁴¹ The region's lower costs, favorable tax structure and strong university presence should continue to attract businesses and operations from out of state.⁴²

Figure 12. Credit intermediation and related activities
Omaha–Council Bluffs vs. United States



23

Madison, Wis., gained eight positions to rank 23rd overall. Its rather diverse industry mix helped offset declines in other areas to rank 15th in 2009–2010 job growth. The expansion was primarily in health and educational services, which created a combined 2,700 new positions. An increase in new residents helped spur demand for those services.

Madison's emerging high-tech sector, which ranks 32nd in terms of its diversity, added 500 workers in the last year. High-tech positions now account for 10.5 percent of the workforce.⁴³ The University of Wisconsin acts as an important magnet for innovation and a critical anchor for developing the region's tech sector. However, budget cuts over next two years will likely take a toll on the UW system.⁴⁴

40 Sarah Gantz, "National Naval Medical Center prepares to merge with Walter Reed Army Medical," Gazette.net, Maryland Community News Online, February 11, 2011. http://ww2.gazette.net/stories/02232011/bethnew212643_32537.php (accessed October 19, 2011).

41 Ross Boettcher, "Mutual returns to Fortune 500," Omaha World-Herald, April 16, 2010. <http://www.omaha.com/article/20100416/MON-EY/704169914> (accessed December 1, 2011).

42 "Nebraska's Stable, Predictable Business Environment Attractive to Illinois Firms," Greater Omaha Economic Development Partnership, September 7, 2011. <http://www.selectgreateromaha.com/News-Center-News-Releases-Illinois.aspx> (accessed October 19, 2011).

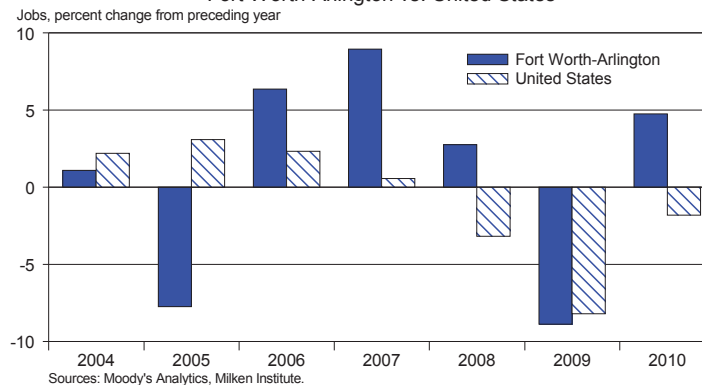
43 Judy Newman, "High-tech sector adds 500 jobs in Madison area," Wisconsin State Journal, May 13, 2011. http://host.madison.com/wsj/business/article_03ce808e-7da1-11e0-8c43-001cc4c03286.html (accessed October 20, 2011).

44 State agencies asked to prepare for more cuts," LaCrosse Tribune, October 20, 2011. <http://lacrossetribune.com/news/state-and-regional/wi/ba9f53de-fb22-11e0-aa59-001cc4c002e0.html> (accessed October 20, 2011).

24

Fort Worth–Arlington, Texas, slipped one spot to 24th in this year's index. The metro's job growth was nearly 7 percentage points faster than the national average in 2005–2010. The Barnett Shale natural gas formation has helped drive job growth in energy exploration over the last few years, accompanied by a supporting cast of professional and business services. A distribution hub, the metro continues to benefit from its location: Warehousing and storage generated over 3,200 new jobs in 2005–2010, an increase of nearly 80 percent. Increased trucking and rail activity has also contributed to the success of this vibrant cluster.

Figure 13. Truck and rail transportation
Fort Worth–Arlington vs. United States



Investments from General Electric will help sustain the sector in the long run. GE Transportation announced this year plans for a \$95 million locomotive factory in north Fort Worth and a mining equipment plant.⁴⁵ Together, the projects are expected to support roughly 900 additional jobs in the coming years. In addition, Fed Ex Freight will take over a 41,000-square-foot facility as a service center for its heavy cargo operations.⁴⁶

25

Lubbock, Texas, dipped one position to 25th place after holding its ground in a number of indicators used to compile the overall index. Rising cotton price due to increased demand from emerging markets was the primary catalyst for growth in Lubbock, a major cotton producer.⁴⁷ Rising commodity prices bode well for the region's farmers and other supporting players. Lubbock ranked 13th in wage growth as pay in 2008–2009 grew 4.5 percentage points faster than the national average. The region has a relatively high concentration of telecom employment, led by the presence of AT&T, and it has benefited from increased business investment in IT equipment. However, Texas Tech, the largest employer in the region, will likely be affected by state budget cuts in the near term.⁴⁸

45 Jim Fuquay, "GE announces second big Fort Worth facility," (Fort Worth) Star-Telegram, October 18, 2011. <http://www.star-telegram.com/2011/10/18/3454464/ge-announces-second-big-fort-worth.html> (accessed October 20, 2011).

46 Bob Cox, "FedEx Freight opens service center in Fort Worth's Alliance development," (Fort Worth) Star-Telegram, October 18, 2011. <http://www.star-telegram.com/2011/10/17/3451637/fedex-freight-opens-service-center.html> (accessed December 1, 2011).

47 Alyssa Dizon, "High cotton prices over a dollar good news for producers, economy," Lubbock Avalanche Journal, October 16, 2010. <http://lubbockonline.com/local-news/2010-10-16/record-crop-good-news-producers> (accessed October 20, 2011).

48 "Kent Hance: Budget cuts threaten universities' mission," San Angelo Standard Times opinion section, February 4, 2011. <http://www.gos-anangelo.com/news/2011/feb/04/kent-hance-budget-cuts-threaten-universities/> (accessed October 20, 2011).

America's 10 Largest Cities: Performance

For a third consecutive year, the same three metropolitan areas— Houston, Washington, D.C., and Dallas, respectively— topped the rankings of the 10 largest cities by performance. Despite holding their own among the largest metros, all three declined in the overall rankings. In fact, for the first time since 2008, none of the 10 largest cities by population can be found in the overall Top 10.

Despite losing six spots in the overall index, **Houston–Sugar Land–Baytown, Texas**, returned to the top of the largest cities ranking, a position the metro last held in 2009. After two years of dramatic gains, **Washington–Arlington–Alexandria** finally showed some slight signs of weakness, falling 11 places in the overall index and from first to second in the rankings of the largest cities. Although it declined three places to 20th overall, **Dallas–Plano–Irving, Texas**, held its ground at third among the largest metros. (Washington, Houston, and Dallas are profiled earlier in this report because all three placed among the top 25 best-performing cities overall.)

Table 5. Performance of the 10 largest metros

Rank according to 2011 index

Metropolitan statistical area (MSA)	2011 rank	2010 rank	Spots up/down
Houston-Sugar Land-Baytown, TX	16	10	-6
Washington-Arlington-Alexandria, DC-VA-MD-WV	17	6	-11
Dallas-Plano-Irving, TX	20	17	-3
Philadelphia, PA	49	83	+34
New York-White Plains-Wayne, NY-NJ	75	48	-27
Los Angeles-Long Beach-Glendale, CA	135	158	+23
Phoenix-Mesa-Scottsdale, AZ	136	117	-19
Atlanta-Sandy Springs-Marietta, GA	145	126	-19
Chicago-Naperville-Joliet, IL	156	148	-8
Riverside-San Bernardino-Ontario, CA	162	146	-16

Source: Milken Institute.

The following pages detail the largest cities' performance in order of biggest change in ranking.



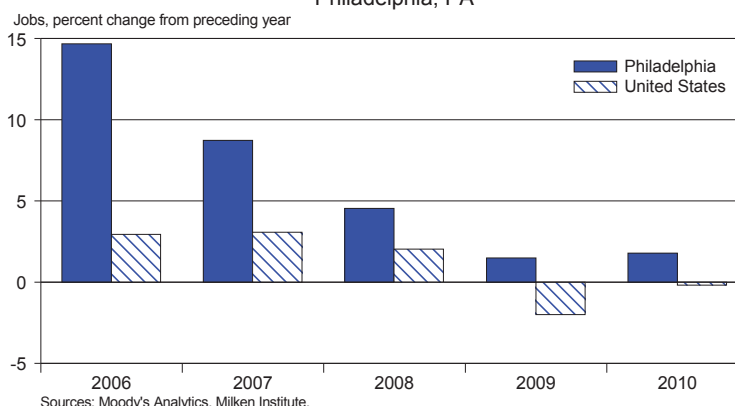
Philadelphia, Penn., had the most dramatic success story among the largest metros. It vaulted 34 positions to 49th in the overall index and leapfrogged New York to place fourth among the largest metros. For the second straight year, Philadelphia was one of just two large metros to gain ground in the overall rankings, with Los Angeles being the other. Philadelphia has also been remarkably stable in the past year, with no single industrial sector either gaining or losing more than 3,000 jobs. Even local government—hard hit in the rest of the country—shed just 520 positions.

Over the past five years, social assistance has driven the most job growth: 2,960 positions in 2009–2010 and 15,860 jobs in 2005–2010. Management of companies and enterprises continued to perform far better in Philadelphia than in the country as a whole; that sector added 10,240 jobs in 2005–2010, though it created just 690 positions in 2009–2010. Additionally, food services and drinking places, as well as administrative and support services, added 2,470 and 2,000 positions, respectively, in 2009–2010 after losing significant numbers

of jobs the previous year. Another growth sector was amusement, gambling and recreational assistance, which added 1,240 jobs in the last year thanks to strong tourism. An area of concern is professional, scientific and technical services, which shed 2,710 positions in 2009–2010.

Overall, Philadelphia's performance has been strong, particularly in education, health care and tourism. Private employment has reached a two-year high.⁴⁹ Unlike other cities, Philadelphia mostly avoided the aftereffects of the housing bubble, but the metro will likely face the same revenue problems as its peers in the coming year.

Figure 14. Management of companies
Philadelphia, PA



New York–White Plains–Wayne, N.Y.–N.J., finally felt the fallout of the financial crisis after holding its ground in the 2010 index. As the loss of 20,000 financial-sector positions in 2009 rippled through its economy, the metro plummeted 27 positions—the biggest year-over-year drop of the largest metros—to place 75th overall and fifth among the 10 largest cities. One strength was construction, as healthy demand for office space helped offset weak residential demand, which appeared to bottom out in 2010.⁵⁰ However, local government was the biggest weakness as it shed 12,600 jobs in 2009–2010.

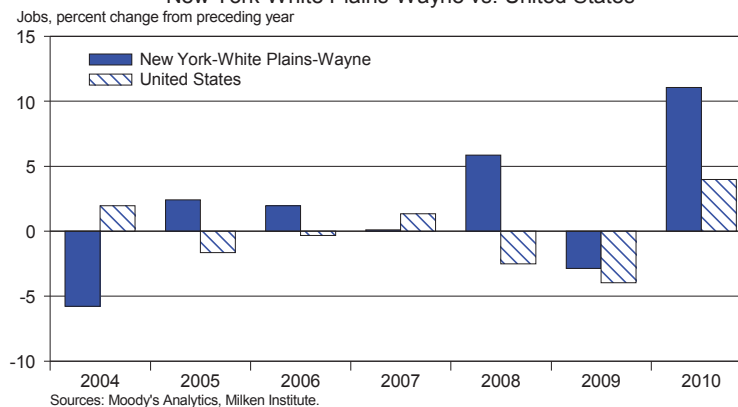
The financial sector has continued to lose positions; securities, commodities contracts, and other financial investments and related activities eliminated 3,580 jobs in 2009–2010. Credit intermediation, insurance carriers and related activities also saw further losses. However, New York's famed publishing sector (not including Internet) took more of the heat. Publishing cut 5,130 jobs in 2009–2010 for a 7.5 percent decline. Printing and related activities have decreased by nearly a third since 2005, dropping 7,050 jobs along the way.

Reflecting a national trend, ambulatory health-care services led all sectors in hiring. Employment in this sector soared by 22 percent over the past five years with 48,420 jobs created in 2005–2010 and 13,300 in 2009–2010. Similarly, food services and drinking places added 40,520 jobs over five years and 12,690 jobs in 2009–2010. Another key contributor, rail transportation netted just 1,800 jobs in 2005–2010, but that marked an annual growth rate of 30 percent with the sector adding jobs each year since 2007. In addition, hiring in the motion picture and sound recording sector increased 11 percent—more than twice the national average—in 2009–2010 as those industries created nearly 4,000 jobs.

⁴⁹ Moody's Analytics, *Précis Metro*, Philadelphia, Penn., May 2011.

⁵⁰ New York Building Congress, press release, "New York City construction spending holds steady in 2011 but remains well below peak years, according to New York Building Congress construction outlook." <http://www.buildingcongress.com/press/2011-10-26.html> (accessed December 5, 2011).

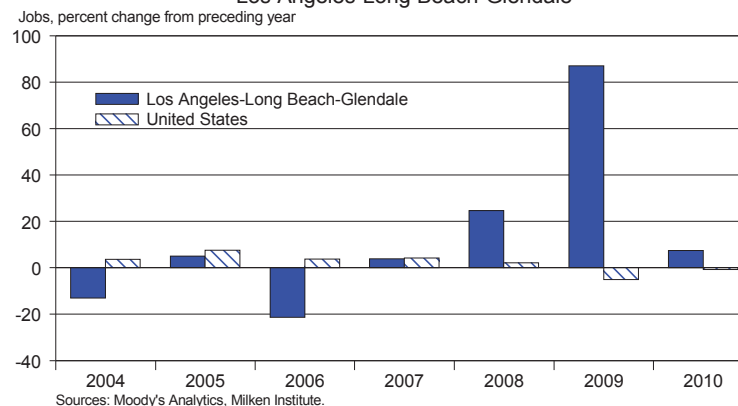
Figure 15. Motion picture and sound recording
New York-White Plains-Wayne vs. United States



Los Angeles–Long Beach–Glendale, Calif., which was last among the 10 largest cities in 2010, rebounded 23 places to rank 135th in the overall index and sixth among the largest metros. High unemployment persisted, with a seasonally adjusted rate of 12.4 percent as of September 2011 vs. 12.5 percent a year before. But there is hope: The county added more than 39,200 (non-farm) jobs from August 2011 to September 2011 for a year-over-year net gain of 31,800 jobs.⁵¹

A key driver has been the resurgence of international trade. From October 2010 to October 2011, the Port of Los Angeles saw a 28.1 percent increase in export traffic and expects 2011 to set a record.⁵² In response, water transportation employment has more than doubled since 2005, adding 1,600 jobs; support activities for transportation created 1,880 jobs; and truck transportation added 390 jobs. New signs of life can be seen in the movie industry, which created 4,680 jobs in 2010 with the help of state incentives. In addition, leather and allied product manufacturing more than doubled, adding 2,510 positions.

Figure 16. Water transportation
Los Angeles-Long Beach-Glendale



⁵¹ California Employment Development Department, press release, November 18, 2011. [http://www.calmis.ca.gov/file/lfmonth/la\\$pds.pdf](http://www.calmis.ca.gov/file/lfmonth/la$pds.pdf) (accessed December 5, 2011).

⁵² Ronald D. White, "Exports post gains at Port of Los Angeles," Los Angeles Times, November 16, 2011. <http://www.latimes.com/business/la-fi-ports-20111116,0,2184331.story> (accessed December 5, 2011).

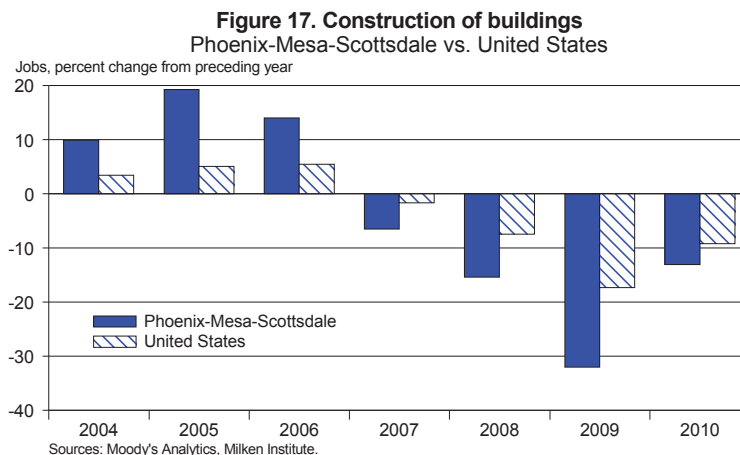
Still, the downturn's effects linger. The management category has shed 15,430 jobs since 2005, including 2,210 in 2010. Specialty trade contractors lost 9,670 jobs last year. However, the single largest one-year loss came in local government, where declining revenues led to cutting 20,960 jobs, a decline of 4.5 percent in what had previously been a stable sector.



Phoenix–Mesa–Scottsdale, Ariz., which ranked fourth overall in 2007, dropped 19 places in 2010 to 136th overall and seventh among the largest metros. Until the construction industry bottoms out in the region, job losses will likely continue.

Specialty trade contractors continue to reflect the weakness in construction; the sector has shrunk from 124,510 positions at its peak in 2006 to 54,890 in 2010, with 9,510 jobs lost in the past year. That is an astonishing loss of more than 69,000 jobs over four years. Job cuts in the construction of buildings category appear to be flattening; those industries shed just 2,300 jobs in 2010 after losing more than three times that amount in 2009. Fiscal woes created by the recession caused local government to shed 3,390 jobs in 2010.

On the flip side, educational services hired 4,080 workers in 2009–2010 and a total of 12,050 in 2005–2010, an impressive annual growth rate of nearly 40 percent. Ambulatory health-care services created 2,180 jobs in the last year and a total of 18,300 in 2005–2010. Hospitals continued to hire, creating 1,940 jobs in 2009–2010 and 11,330 jobs since 2005.

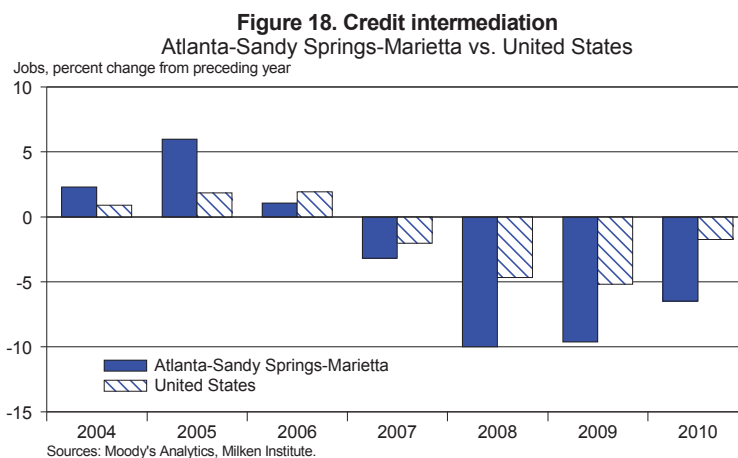


Atlanta–Shady Springs–Marietta, Ga., had been one of the country's fastest-growing metros by population, but the pace of job and population growth has stalled. In the greater index, Atlanta slid 19 places to 145th but inched up one spot to eighth among the biggest metros due to even faster declines in the Riverside, Calif., area.

Atlanta's biggest strength was in administrative and support services. After losing 29,770 jobs in 2006–2009, the sector added an impressive 7,160 jobs in 2010. Educational services gained 1,900 jobs in 2010 for a total of 12,000 positions since 2005. And transportation equipment manufacturing started to rebound, adding 510 jobs in 2010 after losing 7,380 in 2005–2009. Atlanta's role as a hub of the logistics industry has positioned the metro to take advantage of growth in exports.⁵³ Indeed, air transportation, support activities for transportation, and rail transportation all added jobs in 2010.

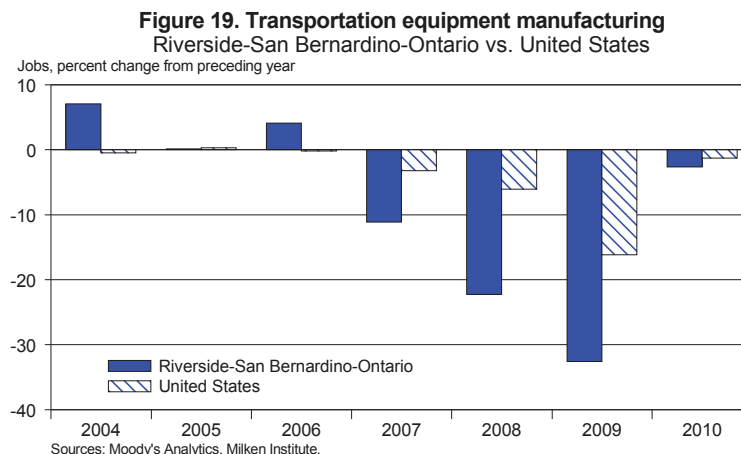
⁵³ Moody's Analytics, Précis Metro, Atlanta, Ga., July 2011.

Among the declining sectors, local government lost 6,150 jobs in 2010 on top of 2,270 in 2009. Despite these losses, government still managed a net gain of 12,220 positions since 2005—the most of any Atlanta sector. Specialty trade contractors account for the most job losses: 6,950 jobs in 2010 and 24,820 since 2007. Credit intermediation employment, formerly a strength for the region, has contracted by more than 25 percent since 2005 with 14,540 fewer jobs.



Riverside–San Bernardino–Ontario, Calif., sits at the back of the pack of the largest cities, held hostage by the housing and construction sectors. Although the metro dived 16 spots in the latest rankings overall, the decline was no match for last year's 43-position plunge. It is a bitter pill for a metro that ranked third overall as recently as the 2007 rankings.

Several sectors are still struggling amid the downturn's aftermath, but none more so than specialty trade contractors. The sector eliminated 6,390 jobs in 2010 and has shed 52,310 jobs—a decline of over 56 percent—since employment peaked in 2006. During the same period, employment in the building construction sector contracted by 52 percent. Separately, transport equipment manufacturing lost 6,490 jobs in 2010; employment in that sector has contracted by more than 52 percent since 2005.

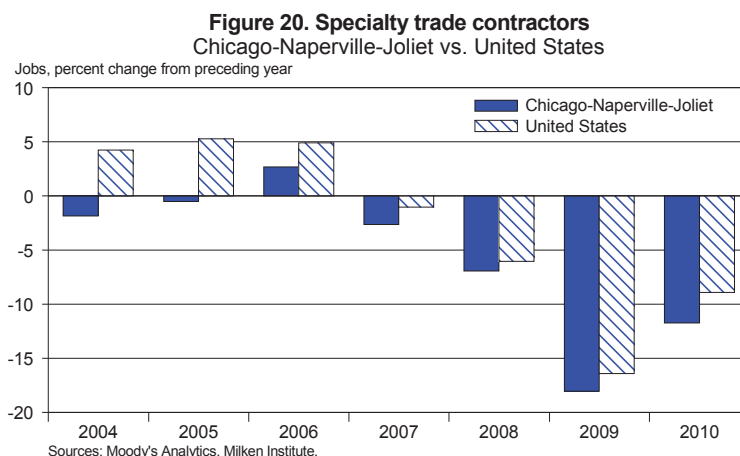


On the positive side, the upswing in international trade is benefiting the metro. Support activities for transportation gained 1,220 jobs in 2010 after losing 440 in 2009. Warehousing and storage, which had grown by more than 50 percent in 2005–2007, was back in positive territory with 250 new jobs. As in other parts of the country, ambulatory health-care services continued to grow, creating 1,110 jobs in 2010 and a total of 6,560 since 2005.



Chicago–Naperville–Joliet, Ill., slipped from 148th place to 156th overall but held on to ninth among the largest metros due to the declining fortunes of the Riverside, Calif., metro. Although not as directly affected by foreclosures as other parts of the Midwest, let alone the Sun Belt, Chicago's economy has continued to feel the effects of the housing bust.

Specialty trade contractor employment continues to shrink—although the 11,080 jobs purged in 2010 is actually a significant improvement from 2009. Total job losses in the sector since 2006 stand at 43,820. Reflecting the soft retail environment, merchant wholesalers shed 4,140 jobs. And ongoing fiscal issues caused local government to eliminate 4,130 positions.



After a terrible 2009 that saw the loss of over 32,000 jobs, administrative and support services rebounded in 2010 to add 9,230 positions, the most of any industrial sector. Ambulatory health-care services created 6,530 jobs in 2010 and an impressive 26,530 since 2005. A ray of hope: 24 different sectors added jobs in 2009–2010 in contrast to a paltry five in 2009. Based on this fact alone, look for Chicago to move up in the rankings next year.

Best-Performing Small Cities

In addition to ranking the 200 largest U.S. metro areas, the Best-Performing Cities project includes a companion index that measures the performance of smaller cities.

The 2011 index looks at 179 small metros, the same number as in 2010. The highest-ranked metros in the 2011 index possess one or more of these assets: a strong health-care industry, high concentration of public-sector employees (especially in prominent educational institutions) and growing energy-related operations. These metros were also relatively unscathed by the collapse of the housing market because they did not experience a bubble in the first place.

Half the small cities in last year's Top 10 remained there in the latest rankings. Fargo, previously No. 1, dropped to seventh as other cities saw more job and wage growth. Ranked against its rivals, Fargo's one-year job growth plummeted 30 places, and one-year wage growth slid 15 spots from the previous year.

Logan, Utah, took the top spot this year, followed by Bismarck, N.D., which held on to last year's second-place ranking. Two metro areas each from Texas and Pennsylvania made the Top 10: College Station-Bryan and Longview, Texas, and State College and Lebanon, Penn. Lebanon leaped an astounding 64 positions to rank sixth. Both Morgantown, W.V., and Iowa City, Iowa, made the top rankings two years in a row.

At the other end of the spectrum, many cities in the Midwest, particularly in Michigan and Indiana, were in the bottom ranks.

Table 6. Top 10 best-performing small cities

Rank according to 2011 index

Metropolitan statistical area (MSA)	2011 rank	2010 rank
Logan, UT-ID	1	19
Bismarck, ND	2	2
Morgantown, WV	3	6
College Station-Bryan, TX	4	4
Ithaca, NY	5	12
Lebanon, PA	6	70
Fargo, ND-MN	7	1
Iowa City, IA	8	9
Longview, TX	9	15
State College, PA	10	17

Source: Milken Institute.

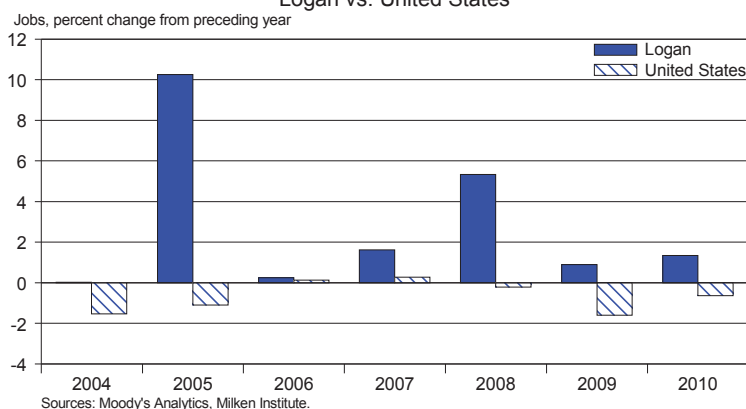
1

Logan, Utah-Idaho, leaped 18 places to become the best-performing small metro in 2011. Logan's job growth outpaced the national average by more than 2 percentage points in 2009-2010. From June 2010 to June 2011, when many metros were losing jobs, employment in Logan grew by almost 3 percent. Logan's unemployment rate was 5.3 percent in 2010, well below the averages for Utah and the nation.

Manufacturing is the main driver behind Logan's job growth. It makes up 20 percent of employment vs. 10 percent for Utah and the nation. Because production focuses on necessities such as food, manufacturing in Logan has recovered more rapidly than in other areas. Employment in food manufacturing specifically grew by 10 percent in 2005–2010 with 1.5 percent of that growth achieved in 2009–2010.

Cuts to state funding, especially at Utah State University, the area's largest employer, have contributed to fewer service jobs. But service industries are getting a boost from Logan's high-tech sector, including an energy research center that opened in 2010 at Utah State.

Figure 21. Food manufacturing
Logan vs. United States

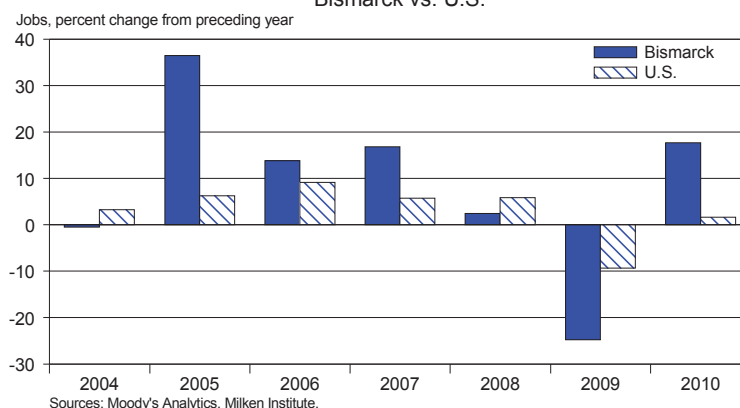


2

Bismarck, N.D., remained in second place mainly because of job growth, both short- and long-term. In 2009–2010, job growth was 1.1 percent, and unemployment was lower than the national average. In fact, unemployment exceeded 5 percent for just four months in 2001–2010.⁵⁴ Agriculture employment has been growing rapidly since 2010. Although the lingering effects of recent flooding may slow growth in the near term, Bismarck's agricultural employment has spiked by 10 percent vs. a decline of 1 percent nationwide.⁵⁵

While the development of wind energy and other sub-sectors has stalled, energy overall should continue to provide new white-collar jobs.⁵⁶ An oil and gas services division of global engineering firm URS Corp. recently located its headquarters in Bismarck.⁵⁷ And the recent boom in oil prices, supply concerns in the Middle East, and the use of new technology to access the enormous Bakken shale field⁵⁸ are likely to provide further fuel for Bismarck's economy.

Figure 22. Natural resources and mining
Bismarck vs. U.S.



⁵⁴ BLS.

⁵⁵ Ibid.

⁵⁶ Christopher Bjorke and Rebecca Beitsch, "Economic growth to extend into 2011," Bismarck Tribune, December 25, 2010.

⁵⁷ Christopher Bjorke, "Engineering companies building Bismarck presence," Bismarck Tribune, August 2, 2011.

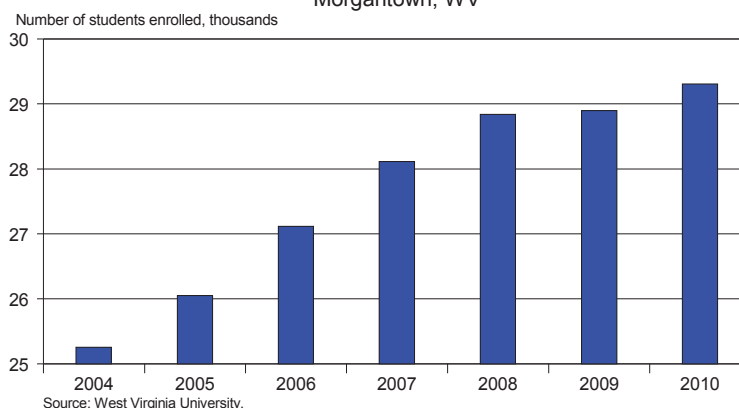
⁵⁸ Ben Casselman, "Oil Industry Booms – in North Dakota," The Wall Street Journal, February 26, 2010.

3

Morgantown, W.V., climbed from sixth in the 2010 index to third this year. In 2009–2010, it ranked fourth among the 179 small metros for both job and wage growth and placed in the Top 10 in both metrics for the five-year period. The jobless rate fell from 7.4 percent in January 2011 to 6 percent in April as employment expanded from 63,000 to 65,000.⁵⁹ The large presence of health-care facilities and research centers as well as West Virginia University helped give Morgantown stability to keep its recovery afloat through 2010.

Education and health services account for 20 percent of local employment, and government almost 30 percent. Cuts in government funding have hindered growth in payrolls, but the approved state budget for 2012 allocates \$68 million for employee pay raises.⁶⁰ At West Virginia University, higher enrollment and tuition will help mitigate the effects of funding cuts.

Figure 23. West Virginia University enrollment
Morgantown, WV



4

College Station-Bryan, Texas, maintained fourth place through solid long-term job and wage growth. Job growth was 13 percentage points higher than the national average over the five-year period, and wage growth was 6.5 percentage points higher. The local economy, especially real estate, was mainly supported by non-residential construction and Texas A&M University.

A&M continues to be one of the metro's key economic drivers, employing roughly 17 percent of the 97,000 residents with jobs. It is likely to remain strong given that most of the necessary job cuts were made in 2010.⁶¹ A&M recently approved more than \$54 million in construction projects that will support the non-residential construction sector.⁶² Other projects such as the College Station Medical Center expansion are also under way.⁶³

5

Ithaca, N.Y., broke into the Top 10, jumping from 12th to fifth. The leap is largely due to stable long-term job growth and recent high-tech growth. Ithaca ranked 25th in five-year job growth (up from 45th) and 36th in one-year high-tech GDP growth (up from 118th). Ithaca's gross regional product and employment were stable, growing 1 percent each in 2009–2010.

Ithaca's economy is driven mainly by education and health care, two industries that stayed strong during the recession. Cornell University's workforce numbers about 9,600 people, and "educational services" overall employ more than 29 percent of the metro's 65,000 active workers. Cayuga Medical Center, the largest employer after the

⁵⁹ BLS.

⁶⁰ Moody's Analytics, Précis Metro, Morgantown W.V., March 2011.

⁶¹ Moody's Economy.com, Précis Metro, College Station, Texas, March 2011.

⁶² "Board Of Regents Approves Three Campus Construction Projects," TAMU News, May 2011.

⁶³ Maggie Kiely, "Work begins on Med center," The Bryan-College Station Eagle, May 13, 2010.

educational institutions, has more than 1,200 medical professionals on its payroll.⁶⁴ Together, these two sectors have contributed more than 3,200 jobs to Ithaca's economy from 2005 to 2010.

6

Lebanon, Penn., achieved a quantum leap, skyrocketing from 70th in last year's ranking to sixth this year. Lebanon has seen significant improvements in job growth, wage growth, and high-tech GDP compared to the previous year. It ranked 19th in job growth vs. 73rd in the previous index; 45th in wage growth vs. 83rd; and 41st in high-tech GDP growth vs. 128th.

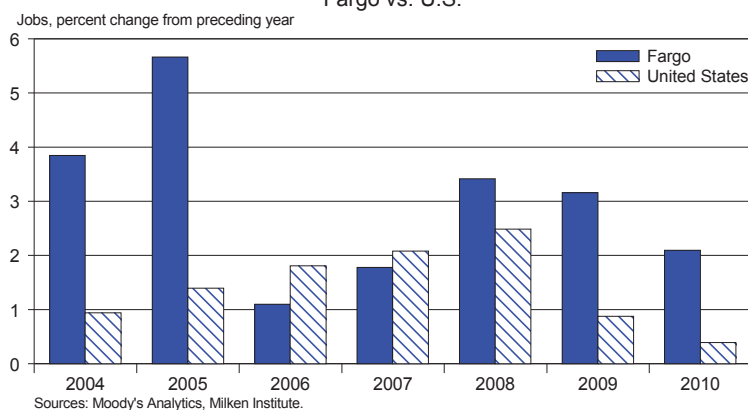
Manufacturing employs the largest share of the workforce, and the food production sub-sector grew 5 percent in 2009–2010. Health care, another large employer, also experienced strong job gains. A contributor might have been Fresenius Medical Care, a medical instrument company that planned to invest \$7 million in its facility and add more than 60 jobs.⁶⁵

7

Fargo, N.D., the No. 1 small metro of 2010, slumped to seventh in this year's index. One-year employment and wage growth were slower compared to the other Top 10 metros. Still, Fargo's jobless rate remains at just over 4 percent, well below the national average, and the influx of new residents is strong because of Fargo's diversified economy.

Government is the largest employer, followed by health care. Sanford Health recently unveiled plans for the \$360 million, 371-room Sanford Fargo Medical Center.⁶⁶ Fargo has also benefited from a growing technology cluster that includes the operations of established companies such as Microsoft, Navteq, and Aldevron as well as more entrepreneurial ventures. Those ventures have blossomed, thanks to area universities. As of June 2010, the technology incubator at the North Dakota State University Research & Technology Park had helped create nearly 200 jobs.⁶⁷

Figure 24. Hospitals
Fargo vs. U.S.



8

Iowa City, Iowa, inched up a spot from ninth to eighth due to long-term and short-term wage growth and high-tech GDP growth. Unemployment has remained under 5 percent and was under 4 percent before 2009.⁶⁸ Iowa City is one of just 134 U.S. metros where personal income rose in 2009.⁶⁹

⁶⁴ Cayuga Medical Center.

⁶⁵ Lebanon Valley Economic Development Corporation 2010.

⁶⁶ "Sanford Medical Center Design Plans Unveiled," PRWeb, August 20, 2011. <http://www.prweb.com/releases/2011/8/prweb8732681.htm> (accessed November 9, 2011).

⁶⁷ Alan Van Ormer, "Valley's incubators developing jobs, generating wealth," Prairie Business Magazine, June 6, 2011.

⁶⁸ BLS.

⁶⁹ "Personal Income Up in Iowa City," Iowa City Area Development, 2010.

The University of Iowa is the largest employer, with approximately 28,700 employees.⁷⁰ While UI will apparently face budget cuts in fiscal 2012, higher enrollment should mitigate the risk of a significant layoffs.⁷¹ The defense and private airline industries may see growth in the coming years. “Machinery manufacturing” employment jumped from 100 to over 600 in 2009–2010.

9

Longview, Texas, leaped from 15th in the 2010 index to ninth this year due to a drastic increase in job growth in 2009–2010. In a single year, job growth went from matching the national average to exceeding it by more than 2 percentage points, and Longview’s ranking in that metric skyrocketed from 107th place to 11th. This is impressive considering that energy and manufacturing—two of Longview’s main employers—were hit hard by the recession.

After local government, specialty trade contractors had the most workers on their payrolls. Jobs in the sector, which employs almost 7,000 people, increased 25 percent in 2009–2010. Longview also has an active natural gas industry, so it’s no surprise that “professional, scientific, and technical services” and “heavy and civil engineering construction” were significant job creators, adding approximately 300 positions each. Texas’ mining activities are also benefiting Longview in the form of increased demand for machinery, chemicals, and related goods.

10

State College, Penn., made its way from 17th to 10th this year, thanks to improvements in several indicators. Employment has grown for the past five years except for a slight dip in 2009. State College also leaped to 47th from 141st last year in high-tech GDP growth.

Penn State University was the largest contributor to employment growth in 2009–2010 and 2005–2010, adding almost 200 and 2,000 jobs, respectively, to its workforce of 23,000. Construction was the second-largest contributor to job growth. This mainly took the form of “heavy and civil engineering construction” related to natural gas extraction.

⁷⁰ University of Iowa and University of Iowa Hospital and Clinics.

⁷¹ University of Iowa.

About the Authors

Ross C. DeVol is chief research officer at the Milken Institute. He oversees the Institute's research efforts on the dynamics of comparative regional growth performance; on technology and its impact on regional and national economies; and on health economics. An expert on the new intangible economy, he created the Best-Performing Cities Index, an annual ranking of U.S. metropolitan areas showing where jobs are being created and economies are growing. DeVol was the principal author of "An Unhealthy America: The Economic Burden of Chronic Disease," which brought to light for the first time the economic losses associated with preventable illness and the cost to the nation's GDP and U.S. businesses in lost growth. He was also the lead author of "Mind-to-Market: A Global Analysis of University Biotechnology Transfer and Commercialization" (2006). Prior to joining the Institute, DeVol was senior vice president of Global Insight Inc. (formerly Wharton Econometric Forecasting), where he supervised the Regional Economic Services group. He supervised the re-specification of Global Insight's regional econometric models and played an instrumental role in similar work on its U.S. Macro Model, originally developed by Nobel laureate Lawrence Klein. DeVol earned his M.A. in economics at Ohio University.

Armen Bedroussian is a senior economist at the Milken Institute. His work focuses on regional industry dynamics, economic impact analysis, and forecasting of regional and macroeconomic trends. His contributions to many of the Institute's research projects and publications have provided useful benchmarking tools to business and policy leaders. Bedroussian has co-authored numerous studies, including the annual Best-Performing Cities index, and was directly involved in the groundbreaking research contained in "An Unhealthy America: The Economic Burden of Chronic Disease" and "Mind to Market: A Global Analysis of University Biotechnology Transfer and Commercialization." His recent work includes "The Global Biomedical Industry: Preserving U.S. Leadership," "Jobs for America: Investments and Policies for Economic Growth and Competitiveness," and "North America's High-Tech Economy." Before joining the Institute, Bedroussian was an economics teaching assistant in micro- and macroeconomics at the University of California, Riverside, where he received a bachelor's degree in applied mathematics and a master's degree in economics.

Kevin Klowden is a managing economist at the Milken Institute, where he serves as director of the California Center. He specializes in the study of demographic and spatial factors (the distribution of resources, business locations, and labor), how these are influenced by public policy, and how they in turn affect regional economies. Klowden has addressed the role of technology-based development in publications such as "North America's High-Tech Economy" and in location-specific studies on Arkansas and Arizona. In addition, he oversaw the yearlong Los Angeles Economy project, which examined key workforce and economic development issues in Los Angeles. Klowden was the lead author of "Film Flight: Lost Production and Its Economic Impact in California" and "The Writers' Strike of 2007–2008: The Economic Impact of Digital Distribution," both of which analyze the changing dynamics of the entertainment industry. He has also written on the role of transportation infrastructure in economic growth and job creation in reports such as "California's Highway Infrastructure: Traffic's Looming Cost" and "Jobs for America: Investments and Policies for Economic Growth and Competitiveness," as well as in several publications including *The Wall Street Journal*. Klowden earned an M.A. in economic geography from the University of Chicago and an M.S. in politics of the world.



MILKEN INSTITUTE

1250 Fourth Street
Santa Monica, CA 90401
Phone: (310) 570-4600

Washington office:
1101 New York Avenue NW, Suite 620
Washington, DC 20005
Phone: (202) 336-8930

E-mail: info@milkeninstitute.org • www.milkeninstitute.org